THE MYRADA EXPERIENCE

ALTERNATE MANAGEMENT SYSTEMS FOR SAVINGS AND CREDIT

OF THE RURAL POOR

Aloysius Prakash Fernandez

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MYRADA
No. 2, Service Road,
Domlur Layout
Bangalore-560 071.
India

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Contents

INTRODUCTION

These pages are writen in a hurry and are an outpouring of an experience partly documented but mostly stored in memory; order suffers as a consequence. They are meant not to meet academic standards of excellence, but to provide the staff of MYRADA and others interested in this experience with an introduction to the process of savings and credit management that started in 1984- 1985 and has still a long way to go. It started as a search for alternative systems, the basic elements of which were not introduced but which were lying dormant or suppressed in rural society. MYRADA's intervention triggered off a process which enabled dormant values (like the social obligation always to repay a loan) to revive and to become institutionalised, not in traditional systems of money lending which were oppressive, not along the lines of preconceived and standardised systems of credit management, but as voluntary institutions with an open, decentralised and participative style of functioning and appropriate to local situations. As a result, many different plants have sprouted; some have withered and died, others have yet to flower, and about sixty to seventy percent have blossomed. The people and our staff learned from their failures and were encouraged by their successes. There are a few experiences more exhilarating than attending a meeting of a vibrant self help or credit management group.

This focus on supporting the emergence of alternative institutions, flowed from MYRADA's mission which emerged during 1983. **It shifted the thrust of MYRADA' programmes from delivering services towards motivating and supporting the emergence of peoples institutions appropriate to the resource to be managed whether it be credit, watersheds, arid areas or forests.**

To all the staff of MYRADA involved with programmes, training, accounts, audit and administration without whom there would be nothing to write about and especially to those who continue to work with MYRADA inspite of the Director and of several other and more lucrative opportunities that came their way, are these pages dedicated; it has been my privilege to work with them during these twelve years.

This effort started with and continues to be a search for alternatives in credit management which the poor were involved in

designing and managing. The systems what evolved however are appropriate for all groups who do not have the facilities provided by official credit institutions within reach and are relevant even where they are.

To the Governing Body of MYRADA which has followed closely the progress of this experiment and encouraged it all these years, my thanks.

NABARD has guided, encouraged, funded and documented this small experience since 1986 among several others. If this and other experiences have been forged into a policy in the service of the rural poor, it is entirely to the credit of NABARD's officers who have spared no effort to visit the field and attend group meetings on many occasions. Faced with the poor recovery rates of programmes involving lending to the poor, NABARD was also searching for alternative strategies among which the "Self Help Group" concept appeared to be the most promising. If it could be demonstrated that it worked, NABARD was willing to persuade the Banks to advance loans directly to the groups, anticipating that while repayments will improve the transaction costs to the Banks will also decline. By 1991, MYRADA had organised 1580 groups; they proved that they could work; repayments averaged 90% and the self confidence of the members increased considerably.

Convinced that the experiment was worth supporting, the Reserve Bank of India issued a circular dated July 24, 1991 to Commercial Banks advising them to participate actively in the pilot project for linking Self Help Groups with Banks. NABARD after consultations with Banks and voluntary Agencies issued a set of guidelines on February 26, 1992 which, while being adequately comprehensive were kept flexible to enable participating Banks and field level bankers to innovate and contribute to building and strengthening the project concept. The strategy that has evolved goes beyond "banking with the poor" towards "**banking with institutions established and controlled by the poor**". It is not easy for the official credit system to recognise and accept an alternate system with its own rules and financial mechanisms controlled by the poor. The institutional pressure to impose systems of finance management on lower institutions in the delivery system is strong. The pressure emerges from the dominant role that funds play in the financial delivery systems. Those institutions which control the funds, call the tune. Institutions of the people on the other hand are forced to conform in order to access funds, as the old saying goes "if you have

your hand in another man's pocket, you will have to walk with him". This is also true of a few major Donor Agencies in the development field which are weak on development strategy but are dominated by financial and administrative control systems; the tendency to impose these systems on those who receive funds in the name of accountability to Donors is strong and inhibits the processes required for the growth of peoples institutions.

The model that NABARD envisioned where established groups would link up directly with Banks also coincided with MYRADA's strategy which endeavoured to ensure that a decentralised and centralised model would not be imposed; this is why MYRADA has resisted several pressures to introduce models which while attracting a much larger flow of funds would demand a far more centralised and standardised system of credit management; this would undermine the voluntariness of the groups which together with the direct access to credit are the major factors that have supported their success.

Several Banks have since joined a pilot project to provide loans directly to groups; this has helped to carry the process a step further. The Foundation for Development Cooperation from Australia has also played a significant role in networking similar experiences across Asia.

Direct Finance From Banks to CMGs As on December 31, 1993

Bank Name	Amount (in Rs.)	No.of Groups	Remarks
1. Bank of India	35,000	5	
2. Canara Bank	389,740	33	5 Groups financed twice
3. Cauvery Grameena Bank	141,000	23	
4. Chitradurga Grameena Bank	82,500	8	1 Group financed twice
5. Corporation Bank	31,700	4	
6. Indian Bank	164,400	5	2 Groups financed twice
7. Krishna Grameena Bank	65,000	3	
8. Punjab National Bank	77,000	5	1 Group financed twice
9. Sri Anantha Grameena Bank	51,000	5	
10. State Bank of India	112,000	8	

11. State Bank of Mysore	90,000	10	2 Groups financed twice
12. Vijaya Bank	70,000	3	
13. Vysya Bank	171,500	12	4 Groups financed twice
Total	1,480,840	124	

The groups in MYRADA were called Credit Management Groups (CMGs) and not Self Help Groups (SHGs) **since there was need initially to define clearly the boundaries of their activities till the groups stabilised.** The name CMG however does not limit their activities to credit management. Even in the initial stages the groups discussed common problems and planned solutions, they shared information and made efforts to improve their numeracy and literacy skills. This is the major reason why they decided to meet weekly. The social dimension of their activities played an important role in building group cohesion and the skills required for self reliance and sustainability. Even with reference to credit, it is the **management of credit** that is important. Credit is used as a **tool to develop their management skills** and their ability to participate in group discussions which prepares them to participate effectively in larger groups like Cooperative Societies which are not homogeneous. It is because MYRADA stresses the management of credit that the groups go beyond savings to advance loans as well as to undertake responsibilities like the **management** of regenerated areas and of infrastructure like schools and drinking water systems. It is because their management skills have developed that they move beyond monitoring activities and savings groups to take decisions which require a degree of confidence to take risks, to establish priorities and to apply sanctions for deviant behaviour.

This description of MYRADA's experience which is referred to as the 'Blue Book' was first published in **June 1992** and reprinted in **May 1993** without any change. This edition brought out in early 1994 incorporates progress mainly in the efforts to sustain and improve the quality of the groups (Chapter V) and to link them to the Banks (Chapter VI); Chapter VII initiates a response to the query; "are womens' groups better than news"

A.P. FERNANDEZ

JAN, 1994

CMG GROUPS IN MYRADA PROJECTS

Project	Men	Women	Mixed	Youth	Child	Total	As on
Madapura (Mysore Dist)	64	47	64		1	176	31.3.93
Kasba (Mysore Dist.)	88	57	76	1	9	231	31.3.93
Sargur (Mysore Dist)	121	89	73			283	31.3.93
Huthur (Mysore Dist)	21	10	12			43	31.12.93
Kamasamudram (Kolar)	60	43	16	7	19	145	31.12.93
Challakere (Chitradurga)	17	14	23			54	31.12.93
Holalkere (Chitradurga)	26	117	11			154	31.12.93
Gulbarga (Gulbarga)	56	35	5	5		101	31.12.93
Devadasi (Belgaum)		45				45	31.12.93
Bidadi (Bangalore Rural)		5	20			25	31.12.93
Karwar (Karwar)							
Talavadi (Periyar Dist.)	75	65	7			147	31.12.93
Dharmapuri	36	416	8			460	30.6.93
Agali (Anantapur Dist.)	37	22	105			164	31.3.93
Gudibanda (Anantapur Dist.)	25	23	92			140	31.3.93
Kadiri (Anantapur Dist.)	15	18		7		40	31.12.93
Total	641	1006	512	20	29	2208	

Note : As on March 1994 the number of groups increased to 2489.

AN ALTERNATE CREDIT SYSTEM - WHY THE NEED AROSE

It was becoming increasingly clear during the early eighties that the existing credit delivery system in the rural areas especially the Banks and Cooperatives was no longer able to cope with existing and effective demand. To expect the system to achieve the social objectives of providing **credit to the poor** and marginal farmers which requires intensive work in the field in order to identify potential borrowers and to advise and follow up on utilisation and recovery was unrealistic.

There was general agreement within Myrada that the existing credit deliivery system was **inadequate due to insufficient funds to meet needs and poor management. But the question was being raised whether the system was appropriate to meet the real needs of the people especially the landless and marginal farmers. In other words,even if funds were adequate and management of the existing delivery system good, could the system achieve the objective of meeting the real credit needs of the poor or was an alternate credit system necessary?**

An analysis of the credit needs of the poor revealed that they required **small** but **regular** and **urgent** loans for **consumption**, whereas their options were restricted to programmes designed and approved by the Government which did not cater to these needs. Small loans for consumption were readily available from money lenders who also placed the poor on the track of increasing debt and bondage which went rapidly downhill. The money lenders were not only the large farmers but middlemen, politicians, lowlevel officials, shopkeepers and small farmers with irrigated mulberry or cash crops. There was ample evidence to show that dryland farmers who took small consumption loans had to mortgage their lands within a few years since they could not repay their debts. The Banks were not willing to lend **small** amounts nor would they entertain loans for **consumption** even though it was obvious that the largest number of loans was taken for this purpose. They also could not give any loans **quickly** when needed. Therefore, there was a growing opinion that they were not appropriate as a credit delivery system to the poor.

Several procedures and practices of the official credit institutions also confirmed this opinion. They insisted on standardised costs and estimates, often on the grounds of feasability; these amounts were

usually larger than what the people required. For example when farmers in one area, where the water table was high, needed appproximately Rs.3000/– to sink an open well, the Bank insisted on providing the standard rate of Rs.9000/-. The people used the extra amount for consumption which in turn made repayment difficult. **There was no mechanism to fine tune the size of projects and estimates to the micro situation.**

In several cases the Banks schedule of recovery did not conform to actual trends in returns. An interesting case of difference in recovery schedules concerned milch animals. It is well known that in summer the milk yield falls, yet the recovery instalments required by the Bank remain constant, instead of adjusting to the actual trends in milk yield. Another example of inappropriate recovery schedules was the practice of linking recoveries with harvest time on agricultural loans to marginal dryland farmers. The majority of them consumed over 80% of their produce and could not possibly repay loans from sales of the remainder. When the credit groups supported by Myrada started functioning, they were well aware of this; they were also aware that marginal farmers earned wages from labour during sowing, weeding and harvesting, and could start repaying their agricultural loans to the groups before harvest; hence the groups recovered loans thoughout the agricultural season. One year in Myrada's Holalkere Project, after good rains, when sowing was completed, a long dry spell followed; the crop withered and died; yet since the groups had made recoveries from the first week after they had issued loans, they had adequate funds to provide another loan for seeds when, after a gap, the rains, returned and sowing was repeated.

It was also noticed that the schedule of recoveries could be disturbed due to changing situations - not just by natural conditions like drought - but by other unexpected developments which were not accounted for when the schedule was worked out. An interesting example emerged when a credit group membr decided to stand for village elections; he had recently taken a loan from the group to purchase a cow; the group suspected that he would sell the cow to raise funds for the election, so they seized it till the elections were over. the Banks would not have been able to respond to this 'development', yet, for **a project to be successful, effective management of changing situations is essential.**

Another hurdle which was reponsible for loanees being unable to ensure recovery was the practice of working out the size of the project on the basis of **viability** - the ability to stay alive; viability also implied that the project's returns would raise the family above the poverty line.

This was the case with several income generating projects under the anti-poverty programmes. For example, providing a poor woman with 10 ewes and 1 ram was worked out to be viable unit, but it usually failed to earn adequate returns according to schedules since it pre-supposed that the woman was doing nothing prior to this project. Managing a 10 + 1 unit is almost a full time job requiring her to give up other wage opportunities which provided her with her daily needs in order to mange this sheep unit. The common solution adopted was to sell a few sheep for their daily sustenance. Futher, most people preferred a package of several small sources of income, which together formed a "viable" package. This lessened the risk factor and gave them a degree of freedom in management. Though this example is taken from a tiny project in the rural areas, the principle holds good for projects of all sizes; **what is viable may not necessarily be manageable** unless the skills and resources of the person are upgraded rapidly which is usually not possible. Further a **package of options where the risk is spread** is what a poor farmer prefers to invest in, rather than in one large income generating project where the entire risk factor is concentrated.

The wide gap between the number of loans a branch of a Bank managed and the actual need also indicated that the system is inappropriate. For example, after the credit groups had functioned for a few years in an area, a comparative study of the performance of the credit groups and the banks showed that one branch had advancd a maximum of 50 loans under the anti-poverty schemes during a year, while the 102 credit groups within the Branch's service area advanced over 5,000 loans every year to the poor. True the Bank's performance may have been restricted by its quota, but it is common knowledge that very few rural branches can handle over 400 loans to small and marginal farmers and landless in a year. Even the performance of the credit groups probably met only one third of the total expressed requiremet (1). During the early

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(1) It is often repeated with justifiable pride that after the nationlisation of Banks in 1969, rural branches had increased by eleven times and deposits by 19 times. The Regional Rural Banks (RRBs) branches increased from 17 in 1978 to 12,939 in 1986. Further from 1985, 40% of the total credit of commercial Banks was diverted to priority sector borrowers; the amount disbursed in 1969 was Rs. 483 crores while in 1986 it increased to Rs.22,844 crores. This massive program had an impact. The findings of the Rural Credit Department and Investments surveys of 1971 and 1981 showed a decline in dependence on informal sources of credit in rural areas.

What is not widely reported however, is that this major credit delivery system largely benefited the richer sections. The poor continued to depend on informal credit sources. While 9% of their credit came from the official formal institutions, 95% of the credit needs of the rich was met by these institutions.

(Findings from the All India Debt and Investment Survey of 1981.)

eighties we knew that there was a gap, but we did not realise that the gap was so large. It indicates the almost total dependence of the poor on traditional money lenders at least to provide credit for consumption and for small enterprises. **The emerging consensus within Myrada was that a shift to an alternate credit system for the poor was required, along with efforts to make the existing delivery system not only more appropriate and effective, but also willing to accept and relate to an alternate system with its own rules and management systems.**

Apart for the structural and operational hurdles which made the official credit system inappropriate, there were other isues as well which did not help to develop a healthy relationship between the Banks and the Cooperatives on one hand, and the people on the other hand. The politicians had all but destroyed the basic culture that loans must be returned. On one occasion when a Minister was introduced to a woman who had been given a loan by the bank for two buffaloes, the Minister asked her whether she had taken a **'sala'** (Kannada for loan); she protested that she had not taken a 'sala', whereupon the Bank Manager standing nearby who was very disturbed at the turn of events shouted at her, "have you taken a **loan**?". "Yes", she replied, "I have taken a loan but not a 'sala'". A 'sala' obviously was a loan bound by traditional sanctions and norms and was always returned, while a loan was a "gift" from the govenment. Though "sala" in Kannada is translated as "loan", the meaning of the two words was clearly different for the woman.

When the perceptions that people had of credit institutions were taken into account, the evidence was startling. If people perceive an institution to be hostile or unresponsive to them, they hesitate to approach it and to continue an ongoing relationship on their own no matter how much they are persuaded to do so. On one occasion when people were asked to identify the credit sources in their village they listed the Bank, the Cooperative Society and the money lender. Asked to describe these institutions they brought a large stone and said, "This is the Bank, it is unmovable!" The Cooperative Society was symbolised by a smaller stone with a piece of paper beneath. "We can get credit but after a lot of paper work for which we have to pay". The money lender's symbol took some time to be identified; they finally came up with a parthenium (*) plant. "Once it comes into your garden, it is very difficult ot eradicate!"they said. Yet when asked to identify which of these three they considered to be "**most honest**", they pointed to the "parthenium". Which source was **prompt** in providing loans? Once again it was the "parthenium." Any

* A weed whose growth and spread is difficult to control.

direct attack on the moneylender, therefore, whom some radical elements cannot tolerate, will not go far! The same people were later exposed to a credit mangagement group and decided to form one themselves. Months after the credit group was formed, they added a "flower" to symbolise their credit group alongside the stones and parthenium.

By 1985, it became clear that it was no longer adequate for Myrada staff to identify potential borrowers and to use their good offices to obtain loans from the Bank for them. A few video films of Myrada's work during the early 1980s highlighted the staff accompanying poor farmers to the Banks and obtaining loans for them; this image could not continue. No longer was it adequate for Myrada to place collateral, risk or incentive deposits against which the Banks would advance a limited number of loans. Improving the credit delivey system was not an adequate strategy. A new and alternate system was required to cope with the expressed and silent needs especially of the poor. **If such a system could evolve it would also require the Banks and Cooperatives to relate to it on its own terms and conditions. Could an alternate system evolve? Would the existing credit institutions (Banks and Co-ops)relate with it on its own terms? These were the two major concerns during the period 1985-1986.**

During this period, as Myrada found the Banks and Cooperatives inappropriate to cope with the situation, it organised and worked with and through Village Development Associations (VDAs). Myrada did not provide any model, but asked the people to form an institution which could perform certain roles like identify "beneficiaries", channel funds and plan and monitor development programmes both for the village as well as for individual families. Two types of VDAs emerged. One, in which the **whole village** was involved; though some were elected representatives, all the families were members and the meetings were to be attended by all, though attendance rarely exceeded 50. This model was similar to the traditional Gram Sabha. The other type of VDAs comprised **only the poor families** of the village; the well-to-do were left out.

Our records and reports indicate some major features which were common to both types of VDAs due to which the majority were not functional and could not perform their roles effectively.

a) With a few exceptions, where leadership was enlightened and effective and where the groups were small and relatively homogeneous, the majority of the VDAs did not function

effectively. They were large, most of the members did not attend the meetings, and leadership passed into the hands of a few.

b) In both types of VDAs there were sub-groups consisting of 15 to 20 members which could not work constructively with each other. Interestingly even when all were poor families in the second type of VDA where a certain economic homogeneity prevailed, there were still sub-groups within the larger group which could not work together, even though in most cases there was no conflict of interest; on the contrary they had more to gain by working together than by making it difficult to do so. As a result, much time and energy of the staff was spent in solving problems of inter-relationship among sub-groups many of which were more apparent than real.

Myrada's efforts to keep the village groups together were based on an assumption that the village is one unit and would become self reliant and sustainable if this unit worked effectively. We were influenced by the theory that modernising influences had broken up the traditional village society and that unless his unity was re-established the village would disintegrate. We were therefore surprised to find that inspite of considerable investment of time (and money) both types of VDAs disintegrated once our staff kept away. We then decided to critique our basic assumptions. Why should we not accept the sub-groups as the institutional basis for motivating and sustaining the development process ? In any case the image of the "unfied" village society was more ideal than real. We could later observe if these sub-groups once established and confident would work together to achieve common objectives.

One feature that dominated the Gram Sabha model in which the entire village was involved was that while these VDAs became a part of the credit delivery system (in term of selecting beneficiaries, taking them to the Banks, channeling and managing funds and programmes from Myrada and the Government), the objectives of equity, sustainability and effective participation and management of resources through group decisions were not achieved. Though they did recommend individuals for grants/loans which were either given directly by Myrada or through the Banks, they had little influence either on the utilisation of the loans or on repayments. As far as equity was concerned the poor did not get their fair share of credit. When asked why the poor were marginalised the village leaders justified their decisions on the grounds that they could not be responsible for the proper use of the loans and for "recoveries" as far as

the poor were concerned. There were, no doubt, a few cases where a few of the comparatively poorer families were recommended for credit, but on closer analysis we found that this " recommendation" served to strengthen the patronage relationship which increased the dependence of the poorer " beneficiaries" on the well-to-do. Credit delivery became a mechanism through which exploitative relations were reinforced. It was also obvious that the effective participation of all members in group decisions was lacking because of the underlying relations which fostered dependence. Besides, once the loans were distrubuted there was no institution of the people that played an effective role in managing utilisation, recovery and further lending; the absence of this institution undermined any effort to make the process sustainable.

The pattern of relationship between the VDAs and our staff and the roles which our staff played in this VDA pattern of credit delivery also created a situation in which some of the staff quietly assumed proprietary attitudes over the VDAs especially with regard to the selection of "beneficiary families". The perception of people that the staff had certain power and leverage to access funds from Myrada and the Banks strengthened this behaviour with the result that a few of our staff began to take on roles similar to that of "Karunams" and Talathis" where every choice had a price. Fortunately such cases were few, but our analysis was timely and served the purpose of strengthening our resolve to search for an alternate credit system in designing and managing which the people had a major role to play, and over which they would have control.

TENTATIVE BEGINNINGS

During 1986 several experiences which emerged from peoples initiatives helped Myrada in its search for an alternate credit system which was appropriate to and manageable by the poor; of these we will describe three:-

The first and second experiences were analysed in 1987 and formed the basis of a paper which was widely shared. To quote from this paper:(1)

1. "We noticed that there were a few small groups of women organised by one of our women staff primarily to discuss their problems and to give them an opportunity to acquire basic literacy and numeracy. They had been encouraged to make weekly savings of whatever small amouts of money they could put aside. After some time , part of these savings were put in a common fund. Of their own accord they had made some rules to discourage withdrawals until their account had reached a certain size. However, there were occasions when one of the group members needed money urgently, and needed a slightly bigger amount than what she had managed to save. Since there was money available in the group account, the other members checked out the genuineness of the need and agreed upon a rate of interest, the schedule of repayment and time frame for repayment. The main reason for this decision was expressed by one woman. "Why should a fellow-member approach a moneylender when her own group has the means to support her?' In the bargain, not only was her need met without her being caught up in the cycle of indebtedness, but the group too expanded its resource base with the interest earned."

2. Till 1984-1985 Myrada continued to use the Cooperative Society in some projects as the basic institution for the management of credit as well as for other common activities. This approach was

(1) Rural Management System (RMS) Series : Paper 3 - 1987
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based on the success of the Tibetan Cooperative Societies which Myrada had helped to organise during the 1970s.

The second experience emerged from the breakup of one Cooperative Society in our Kadiri project where 400 landless families who were released from bonded labour were being resettled. To quote from the paper mentioned earlier:-

"A Cooperative Society on our project in Kadiri which Myrada had organised broke up of its own accord into fourteen small groups. Our Project staff at first tried their best to bring the groups together again, but realised the futility of it when they discovered that the people distrusted the leadership and that in any case, their needs and interests were too varied for them to be adequately considered and met through the Cooperative".

"They preferred to meet as small, independent groups where members shared common concerns and a feeling that they could trust and work with one another. That there was merit in this argument was proved by their **willingness to return the loans they had taken from the Cooperative to these groups but not to the Cooperative.** That year, when the agricultural season came, instead of approaching the Cooperative for crop loans, some of the groups approached the Myrada Project Office for working capital support. Before they approached Myrada with their request, they had met to assess what their requirements were, how they would use the money and when and how they would repay it. The staff were initially uncertain but finally decided to take the risk and advance them the money because the agricultural season was upon them and the money lender was the only other option; they also felt that these groups who had made considerable effort not only to get organised but to plan their strategy, deserved this chance. It was observed later that the money was managed more carefully and there was far greater responsibility and commitment from these groups towards using this amount for the purpose taken and in repaying it, which never unduly bothered the people earlier when they were dealing with the Cooperative. Significantly, on this occasion there was little pressure on staff to keep a group together, to help the group take decisions and to chase people for recoveries."

3. During 1984- 1985 realising the problems in using the Cooperative Society an an appropriate credit institution, especially for the poor,

Myrada had also organised Village Development Associations where only the **poor** families of the village were members as described in Chapter I When we analysed the performance of these Village Development Associations we found that they were **large** (often 50 to 120 members); further over fifty percent of the members were always absent from the meetings. When we went to the people with an open mind and asked them why they stayed away from meetings and whether they were interested, they replied that they would not join the larger group but would like to form another group of their own. Subsequently, several of the large Village Associations of both models broke down into smaller groups just as in the case of the Cooperatives. There was opposition in some cases from vested interests especially in those VDAs where the entire villlage was involved since the more powerful families found that people were "going out of their control", but though this delayed the breakup of the large associations it could not prevent the emergence of the small groups over a period of time.

We tried to analyse these experiences and discovered, among other factors, that the major reactions and expectations of poor families at that initial stage were the following:

i. They did not benefit from existing Cooperatives and had no confidence in this institution since it was used to further strengthen the hold of the powerful on the poor through patronage. The unequal social-economic relationships that existed between members in their daily lives were carried over into the Society's meetings and transactions. How could a poor member of the Society's Board question decisions when he depended on the other members for labour, consumption loans and even social acceptance in the village?

ii.. They (especially the women) responded enthusiastically to the opportunity provided for them to meet in a group of their own choice. There were several occasions when Myrada staff found that only men had turned up for a meeting which was planned for women. **The men were reluctant to leave.** Our staff held a group discussion with them to which they responded well and then asked them to leave and to send the women to have a meeting of their own.This strategy worked in several cases though we also had instances of men forcibly dragging women away from meetings. It was clear however that the **groups did not meet for the**

purpose of raising or managing credit in the initial period. The people were motivated more by an opportunity provided to gather as a social group. Accordingly, the first few months were devoted to group sharing of their problems, to socialising and to literacy; only later was numeracy given priority in response to their demand to read their pass books and statement of loans and repayments. Opposition from men to women meeting in groups lessened considerably when they discovered that women were able to raise loans to meet their needs. There were also other problems which cropped up; for example - some men resented having to accept certain household duties, while women were attending meetings. Personal counselling in the homes was provided in these cases.

iii. When the idea of savings was introduced, the response,both from men and women, was enthusiastic. In many groups it was this exercise of depositing their savings, the discussions that revolved around the amount of savings mobilised by each and the provision of small loans, which was a major motivator in bringing people to the meeting - far greater than the interest in literacy or numeracy. In a way the ability to save and produce the savings at the meetings became a status symbol. As far as women were concerned, the group also provided security for their savings.

iv. **The staff noticed that the basic structure of the groups was already in existence before our intervention.** The "linking factor" was not the desire to get loans but social homogeneity like common heritage, caste or sub-group, gender, place of origin or the same traditional occupations. These groups were homogeneous also economically as their members had more or less the same incomes and seasonal patterns of employment. The staff did not have to spend much effort to keep the group together. These groups were " **socially viable or functional; they were also described as "affinity groups".** The people in these groups came together and worked in groups when there was a common action programme supported by the village, Government or by Myrada. The groups however did not meet and function regularly; they were action oriented and met only when there was work to be done. The provision of a meeting place and other facilities by Myrada and the regular visits by our staff and their presence at the meeting gave the people an opportunity to meet regularly and a reason for women to be at the meeting place which the men and elders in the home accepted.

v. **These " socially vable or affinity groups" were small** (10-25 members); the members reacted strongly to any attempt to increase the number for the sake of fulfilling the demands of a programme. For example when a Government sponsored programme required 20 in a group, it could not take off as the group refused to artificially increase or decrease its membership.

vi. When the group was given a choice to place their savings in the common fund of the group or to keep it in their personal account, the choice was overwhelmingly for the former though there were several who exercised both options. Till 1992 there is no record of any group member asking for interest on her/his contribution to the common fund. This issue was discussed by several groups, during 1993; some have decided to pay interest and are working out the modalities.

vii. There was no report that any group which came together in this process adopted the auction or lottery or chit model of credit management. At that time the staff did not ask why. Experience with these "chit" models later helped to explain why the poor did not choose to operate with these models or join these credit systems. (refer footnote)

viii. The members expected that they would be able to get loans for consumption and that small emergency loans **should be easily available at any part of the day or night;** this facility was not provided by the lottery or auction chits.

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* Just about this time the staff in MYRADA Head Office ran an auction chit. Both men and women were involved. Participants also cut across several levels of responsibilities and positions. A rapid analysis showed that some of the men chose to bid for the first few chits, while the women preferred to wait. When queried, it emerged that those men who bid for the early chits had plans to invest in areas of higher returns. They assessed their losses, therefore, not with reference to the dividend they had to forgo by bidding early but with reference to the entreprenurial opportunities that they would miss by delaying. On the other hand those who preferred to wait, unanimously justified their stand by the argument that they were not loosing any money by waiting; besides when they needed a lumpsum urgently they could get it. They estimated that their 20 month chit, would close in eighteen months and would earn an average of 9.8% interest on total investment of each member over the period. They were prepared to forgo the extra interest they would have gained by investing even in 'safe' areas like fixed deposits with Banks and Companies and considered the loss worthwhile in return for the opportunity of getting a lumpsum when needed., For these members therefore the chit covered emergencies while at the same time ensuring they did not loose money. There was also the added incentive to save that the chit provided and the social relations it generated. On the other hand the participants in the credit management groups did not have any entrepreneurial opportunities to attract them to the auction chit model. They were unwilling to take large loans for business or cottage industry in the initial stage, as they did not have the confidence and skills to do so. As confidence grew and opportunities to acquire skills were provided and taken and after they had the confidence that their consumption needs in an emergency could be met by the group, the number of loans for income generating projects increased.

ix. They also expected that **several** would get loans at each meeting if funds were available and not just one member. This required a pattern of management that differed from the auction or lottery chit.

x. There was remarkable consensus among the groups that no **single** member would be responsible for another member's default even if in some cases she/he stood guarantee. The responsibility of recovery and moitoring the use of the loan would rest with the entire group. This was undestandable as no single member could afford to stand guarantee for all. Once again this differed from most chit models where the '**foreman**" stands guarantee.

xi. Many of the groups made an innovative decision to change their representatives (Pesident, Secretary and Treasurer) every year. Myrada supported the decision and made it feasible by asking the group to elect/select the representatives for the following year six months ahead, so that they could be given special training in the skills required to manage the group. **This rotation of representatives ensured that all the members would have an effective role in managing group affairs.** This practice also helped to check the tendency for power to become concentrated in the hands of a few, and for leaders to use the groups in their quest for political power. Briefly, the groups opted for a participative model in which decision making was not delegated to a few " representatives " but shared by all. This feature once again distinguished the group from the chit where there is one strong "foreman" **for the entire period of the chit.**

xii. Since a major purpose of coming together was social interaction and support, the issue of the "life" or "duration" of the groups did not arise. In auction or lottery chits, the life of the group depends on the number of members.

There were a few expectations on the part of Myrada as well; these convered a broad spectrum ranging from " expectations" which flowed from or were based in Myrada's Mission Statement (articulated in 1985 refer Annexure I), to those which were thrown up as a result of an analysis of several groups carried out after they had functioned for a period of 6 to 12 months. Those expectations that flowed from Myrada's Mission Statement were the following:-

i. **Only the poor could become members of the group.** This also helped to keep out those above the poverty line. Upto 1988-89 the

methodology and criteria used to identify these poor families was based on studies made and formats designed by insitutions and individuals specialising in these fields. Since 1988-89, these criteria are increasingly being established by the people and the decisions made by them using participatory appraisal methods. We find that the results are more accurate. The criteria used by people to identify the poor have considerably increased our knowledge of peoples perceptions and criteria which differed in many ways from ours.

ii. **The need to save regularly and to cultivate the habit of thrift:-** Though this aspect is not mentioned specifically in the Mission Statement, it expresses the underlying philosophy of self-reliance and sustainability . Myrada's message since 1985 clearly states: " **Savings are from necessities not from surpluses: the poor too can save.**" We did not ask for a "share" as a condition to join the group since the capital for this share was usually borrowed. Besides, the objective was to **cultivate the habit of thrift which calls for regular savings** and which Myrada considers essential for the poor to sustain their efforts towards self-reliance. The need for the **thrift** habit became clear when we noticed that the consumption pattern especially of men changed as their incomes grew; they increased expenditure on drinking, smoking and clothes.Several groups - both of men and women - applied and enforced sanctions especially on consumption of liquor, paan chewing and smoking.

There were also a few other expectations relating to the functioning of these groups which Myrada considered necessary if the peoples' desire to continue functioning as a group was to be sustained; these were:-

i. Regular meetings, once a week,

ii. Literacy and Numeracy: At first literacy was given priority but it was soon evident that people wanted to read the numbers and figures on their pass books and on the statement of loans and recoveries; hence numeracy was given priority.

iii. Attendance at meetings should be over 75% . If a significant number did not attend regularly the reasons for their lack of participation were assessed with them. In many cases those who kept away decided to start a seperate group.

iv. Basic books and records should be kept like the attendance register and minutes books where all decisions were recorded. If there was no one in the group capable of keeping these records the group could avail of the services of Myrada staff on the understanding that this would be a temporary measure. Another option before the group was to hire the services of a local person and to pay him/her for every meeting attended and recorded. The group members however, had to acquire these skills as soon as possible; Myrada's role in this area was to provide all support necessary to achieve this objective.

An analysis of the expectations of the people and of the groups they had activated to perform new functions, indicated a few structural features common to all groups. Myrada assessed that these structural features could be the essential requirements or norms for a group to function viably over a long period. These structural features were the following:-

i. **The groups were small.** The natural groupings based on caste, sub-group, occupation or heritage were small - rarely over 25 members. These small groups were socially functional in the sense that the members worked easily together. They were also called "affinity " groups. The staff did not have to spend time and effort to keep the members together. The group had to be small if the objective of effective participation was to be successfully achieved. Larger groups do not provide a conducive culture and situation for each member to participate; they tend to adopt a 'representative' pattern of functioning where the members elect representatives, and in the process hand over or mortgage most of their rights and responsibilities. **The objective of achieving effective participation of each in a small socially functional group required the constant intervention of Myrada staff during the first year. Socially functional groups do not necessarily foster effective participation of all.** The weaker or more diffident members have to be encourage and often provided with the opportunity for special training to enable them to intervene with confidence and to take on responsibilities. The practice of changing the presidents and secretaries yearly, allowed each member to get fully involved in the group's affairs. The role of Myrada in providing training to group members and support especially to the weaker ones was an important element in the group's growth towards self-reliance and sustainability.

ii. **The groups had a high degree of social and economic homogeneity.** On analysing the groups that emerged it was discovered that they had a high degree of social and economic homogeneity. This was the clear message that emerged from the breakdown into small groups of the Cooperative Societies and the Village Development Associations. These two institutions were socially and economically heterogeneous. They consisted of small, large and marginal farmers, different castes and sub-groups. On the level of economic relations, the interests of these groups were often in conflict, with the powerful always dominating. For example, marketing of produce never took off, since several members on the Board of the Society were middlemen who controlled the market; the pattern of loans and recoveries also revealed a strong bias towards the powerful within the Society. On the other hand the members of the small socially viable groups had more or less the same **level** of income. Although the same **source** of income added to homogeneity it was not an essential factor for the group to be socially viable. It was however, necessary that the members are not involved in activities which could cause a conflict of interest among them.

This small groups that emerged also had a high degree of social homogeneity since the members were from the same caste or sub group, or had the same occupation or hailed originally from the same village/area or had the same ancestor. Many groups especially of women united because they had several problems and needs in common.

This characteristic of homogeneity distinguished these credit groups from the milk societies of the Amul model which Myrada had also organised in its project areas alongside the credit groups. The milk societies need the large milk producers to make the milk route viable. The small supplier who contributes 1/2 a litre needs the large one with her/his 5-10 litres. The system ensures that all receive a fair price provided quality is maintained irrespective of the quantity contributed. Whereas in the credit societies heterogeneity in economic levels further weakened the poor as the exploitative relationships operating in society were carried into the credit group. The Cooperatives are good examples of this ; the poor had little say in their running and even less on the sharing of benefits. During the early years some credit groups which ran on the model of the Village Development Association were heterogeneous and had the same experience.

iii. **The groups were voluntary:** Though the Cooperative Societies were supposed to be voluntary they were so tied down by rules and regulations (all in the name of protecting the people) that every member interviewed felt that they were extensions of the Government delivery system. Further, their rules were standardised and did not allow for flexibility and adjustment to local situations. Each credit group on the other hand evolved its own rules and regulations including the rate of interest, schedules of payment and recovery and sanctions for non-compliance. The groups are reluctant to register as societies since they are concerned that they may loose their freedom and flexibility.

These experiences were tentative beginnings, but they were were sufficient to give us confidence that, given the opportunity, poor people even though illiterate to begin with, could develop institutions that were appropriate to meet their needs and that they were capable of managing these institutions provided they were assured that support would be available readily and willingly if required. Myrada had enough evidence to confirm its assumption that if **they had managed to survive in a situation of uncertainity and scarce resources they must be good managers.** True they now had to shift into a new gear of of growing self-confidence and the ability to take risks. They needed support in this effort; but the will to shift gear was theirs and external support had to be conditioned not by the need to achieve targets or spend funds within a stipulated period, not by an ideology the consequences of which they were unable to bear, but by support that was sensitive to their feelings, appropriate and timely without being over-powering.

It is to the discredit of Myrada that it did not succeed in every one of its 14 projects in providing support of this quality; but in those projects where it was able to cope with several and often conflicting pressures which would have had a deleterious impact on the growth of the groups, these tentative beginnings gathered strength and flourished.

Myrada's search for alternate systems appropriate to the area and based on traditional values and practices ensured that it would not try to **transplant ready-made models** of credit management which had developed in other countries. Further Myrada also **did not attempt to design a credit management model or to ensure that all the groups adopted a standardised or normative pattern of credit management.** For example the number in each group is not fixed, it varies from 12 to 30. The rates of interest also vary from group to group depending on their assessment of the cost of credit in the local area.

the profit expected on investment, and the social needs of the family.

A feature of Myrada's management style that had an influence on the credit model that developed was a **strong thrust towards decentralisation.** As a result, the alternate credit system did not take on centralised features. Each group has its account in the nearest Bank or Post Office. Decisions on loans, on the rate of interest, on payment and re-payment schedules and sanctions are taken in each group; the representatives of the group collect savings and recoveries during meetings and deposit these funds in the nearest Bank or Post Office; they sign and cash cheques. Each group also decides to undertake various other types of community activities besides credit management. This decentralised approach is one reason why Myrada does not attempt to start a " Bank" which tends sooner or later to take on features that are standardised and centralised due to several factors, including the need to conform to banking norms and to recruit a certain type of people who tend to have formal banking experience which impacts on the culture of the institution and on the pattern of management and administration.

SOCIALLY VIABLE OR AFFINITY GROUPS - THE FOUNTS OF AUTONOMY

This Chapter will try to respond to some of the queries regarding the development and structure of the credit management groups that arise repeatedly, and even some that do not, but need to be explored further.

Why does Myrada focus on groups as an **institution for savings** and credit management instead of adopting the procedure of delivering funds directly to each family?

The response to this query is that Myrada did not make this choice; the Cooperative Societies and Village Development Associations which Myrada had organised broke down into small socially viable groups. Later other groups were identified during common action programmes, like tank desilting or road construction which were organised by people; they worked in small functional groups and each group undertook an identifiable objective or area of operation. These groups were also identified through regular contacts and meetings in the village. Several groups came to our staff with a request to relate to them as they had seen other groups meeting regularly and had decided to do the same. **These groups were the founts of autonomy** which became visible due to their positive response to events and opportunities.

Myrada however never insisted that all the 75000 families it works with should be in groups; it continues to work directly with individuals where the groups do not exist or do not function well. There are hundreds of cases where individuals have availed of loans/grants and used them successfully. Myrada's experience however shows that the large majority of the poor prefer to function as groups; it has been found that these groups offer their members the best opportunity to develop a support institution for their sustained development.

Driven by its mission to identify, accept and rely on traditional social management systems before proceeding to revive and equip them to face new challenges and responses, Myrada did not stop to question or analyse these groups; it accepted them. During the first year, the functioning of these groups confirmed that they were socially viable and with appropriate inputs could function in a sustainable way.

They were held together by an "internal" force and did not require an external agent to sort out their problems and keep them from falling apart. In order to function viably they had to acquire skills in two broad areas: they had to develop their own rules, regulations and pattern of behaviour, in other words become fully **voluntary institutions**, and they had to become fully participative **where every individual became an effective member; in these two areas Myrada's support was provided. A reference to the feature of "participation" would be in place here.**

It was noticed that though these small groups were socially viable, **all the members did not participate effectively.** In such a situation power could become monopolised by a few. This is where Myrada had to play a role. Workshops were organised for the group as a whole; the weaker members were provided with training specifically geared to help them acquire skills necessary to participate in meetings. Numeracy and literacy classes helped them to acquire the skills to monitor all transactions. We found that members of these small groups were keen to acquire the skill of numeracy in order to read their pass books and the records of meetings which in turn helped to keep the system open and sustain their involvement. The regular (yearly) rotation of the groups representatives or office bearers helped all of them to gain confidence; the office bearers for the following year were elected 6 months in advance and provided with training opportunities to equip them for their job.

We were criticised for supporting these sub-groups to function more visibly, we were told that this approach went against the accepted goal of building a village community. On the other hand we discovered, mainly from attending meetings of the groups, that the groups were not antagonistic towards others. They perceived their progress - from the stage where a group met occasionally and provided mutual support in crisis or ad hoc situations to a stage where they met regularly every week and went through an agenda, kept records and became more socially visible - as a tangible **opportunity** to **improve their lives rather than to compete with others.** The regular meetings and higher social visibility also fostered a progressive sense of pride in their efforts to improve as well as a growing sense of belonging. We could see the transformation of a group into an "**institution**" with an emerging pattern of behaviour, which above all was their own. Interestingly, competition with other groups surfaced mainly when they approached Government or politicians for benefits from anti-poverty programmes which were

targeted to specific groups or areas and which could cope with only a small percentage of those eligible. It is in their demands for Government largesse which is always in short supply that they stress their separateness causing intolerance and resentment of each other.

It must be mentioned here that contrary to many statements repeatedly made by some politicians that the poor depend on the Government, our experience indicates that they depend on the better off families in the villages more than on the Government. It is the middle and higher income sections of rural society who depend on the Government to the extent that they expect it to do far more than it possibly can, and are able to manipulate Government machinery to support their interests which the poor are unable to do. The patronage of the powerful is the domiant feature of public life. It is this daily experience which explains why the poor lack confidence in any Government sponsored institution; this in turn increases their sense of commitment and belonging to one institution namely the credit management group which they had a hand in shaping.

There is no doubt however, that the group, as it developed into a savings and credit management institution which increasingly met the credit needs of its members, created **resentment** among the moneylenders in the village. In most cases however, most of these "moneylenders" had other occupations; they were shop-keepers, farmers with irrigated land and small businessmen. They did not depend for a living on moneylending only. There is no doubt that latent hostility to the groups exists, but it has not become overt and organised as yet, except in pockets where the feudal system was strong or where the money lender had no other occupation to fall back on. In any case, inspite of the groups lending operation the members in many areas still rely on money lenders for larger loans even for agricultural operations. This is because the groups still do not have adequate capital in the common fund or because many groups refuse to give agricultural loans to all its members during the same season; the reason they give is that the group sanctions would weaken if all availed of loans for the same purpose. What is important to note, however, is that the members do not rely any longer for their consumption loans on money lenders; it was this dependence for consumption loans needed urgently and for personal reasons that kept them in a state of dependence on the money lenders which was easily exploited.

The group strategy, however met with several obstacles since it did not harmonise with-

i the Government's IRDP and other anti-poverty programmes which provided funds **directly** to **individuals.**

ii the Banks operative systems of transacting lending operations where all documents are in the name of individuals.

iii the policies of some of the external donors of Myrada whose administrative systems were highly sophisticated but were created during a period when they had to cater directly to individuals and not to the formation of institutions.

Myrada received funds from these three sources, but for different projects which were administrated separately in an increasingly decentralised manner. As a result disparities arose among the various projects in the progress and structure of the credit groups, even though Myrada attempted to relate all the programmes to the process of group formation. What must be noted is that Myrada itself was searching for a strategy during these years (1984 -86) while the funding relationship with the Government, Banks and external donors had already been well established.

Consequently, Myrada's efforts to relate the programmes in various project areas (some of which were driven by the culture and pressure of a delivery system relating directly to individuals) with the growing concernfor building appropriate and sustainable peoples institutions had various degrees of success. In some areas the progress of institutional growth was weakened and sometimes stifled, while in others it flourished. In some projects the difference in focus during the initial period projected two messages - one from Myrada and the other from the donor; but gradually most of the donors realised that the need for sustainable development required the nurturing of institutions, and supported Myrada's strategy.

With the entry of NABARD in December 1987 which invested both time and money in the credit groups in some of Myrada's projects, the perception of the Banks and other donors towards group management of credit began to change. A significant shift in Bank policy from direct individual financing, towards provision of funds as loans matching the groups savings, was the first area in which a breakthrough emerged. The entry of other institutions however required extensive 'facilitation' and training especially of their staff at lower level, since several concepts important. for the functioning of

the groups were easily misunderstood. For example, the "group" mant different things to different people. The difference lay in three areas:

i. in the understanding of the **structure** of a group.

ii. in the manner in which the people are **approached** and the groups formed.

iii in the strategy adopted, whether it was to support the group to grow into an **appropriate instititiution** for **sustainable growth or whether the group was formed to achieve the objective of outsiders (NGOs and Government) which are usually** target oriented and temporary. A few examples to illustrate these three areas will help to clarify the differences.

i. As far as differences in **structure** are concerned, this has been amply illustrated in previous chapters where the structures of the Cooperatives and the Village Development Associations on one hand and the credit managemnt groups on the other were analysed; the latter were socially viable groups, the former were not.

ii. The **approach** used in forming a group is of importance in laying the basis of a group which can develop into a viable institution. In one project which focused on group formation, a number of officers from Government departments were involved with Myrada staff as considerable funding was provided through Government sources. The project strategy as formulated in the proposal was based on group formation and management of savings, credit and assets. While Myrada's role was to identify and strengthen groups and to provide training both to groups and animators, the role of the Government was to identify eligible (largely defined as those who were not defaulters) beneficiaries, to provide technical support to their income generating options and to manage fund flows. Interestingly while all the Government officers involved asserted that they had worked through and with groups as directed, it became clear over a period of time, that in some areas, projects were successful, while in others they were not so. On further enquiry it was found that the officers had adopted the following approaches in relation to people and in forming groups:

Some officers had visited the villages at their convenience usually between 10 a.m. and 1 p.m. and betwen 3 p.m and 5 p.m. They announced their arrival and purpose (to identify

eligible beneficiaries) and gathered people around. This gathering. the officers referred to as a "Group". The options of each eligible family present were identified and the visitors left to process the applications. The significant progress in this strategy was that the team of officials went to the villages and finalize the programmes there. The people did not have to make several trips to the BDO's (*) office or the Bank; this approach was described by some as a rapid appraisal of and response to beneficiary needs.

The other group of officers first went to the Myrada project units where the list of scheduled group meetings was displayed. They visited the group on the day and at the time it was scheduled to meet. They did not conduct the meeting, but let the group negotiate its business and complete the the agenda for the day. They then explained the project they were involved with and asked the groups to discuss their members' options at their pace and convenience; they left promising to return for the next meeting. It often took 3 visits for options to be finalised for processing, as the original choices of members were discussed by the group and several changed. The take off in the second group was slower than the first but the result at least in terms of choice and management of assets were more successful. The second approach left the group far more involved in the programme and willing to apply sanctions for proper use of assets and recovery. It was also clear that the word "group" was understood differently by the two groups of officials. In the first case the group was formed and controlled by the officers, it was their "group"; this was not the case with the second group.

iii. From 1989, onwards working with "groups" has become almost a 'fad'. Many programmes, both Government and Non-Government, incorporate the group as the basis of their strategy. **To project the group while at the same time to be driven almost entirely by objectives (like achievment of fixed targets which are unrealistically high often due to political pressure and officals' willingness to please) that are extraneous to and often destructive of the process of**

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* Block Development Officer

group formation, is to sabotage the group concept and strategy and to destroy all potential for management and sustainability. The following example will help to clarify this observation.

During the inital period when Myrada was searching for appropriate methods and approaches to group formation there were several experiences involving both Myrada, Donors and Government Staff which reduced the process of group formation to a symbolic gesture. These examples had certain features in common:-

the **pressurre to achieve annual targets** in expediture or in identification of beneficaries was very strong and was the major factor driving the programme; the performance of officials was assessed on the basis of targets achieved in the areas of expediture incurred or number of beneficiaries assisted.

the dominant criteria to select "**eligible beneficiaries** (such as nondefaulters or those who had children eligible for sponsorship) or even to fix a priori the number of group members were extraneous to and often destructive of the process of group identification and growth.

As a result of these dominant pressures, staff in some projects first identified eligible families (using criteria external to the process of group formation) and brought these families together into what was described as a "group". In most cases these groupings were artificial; though the members had a degree of economic or gender homogeneity, a large number of groups were not socially homogeneous; **the members of the group were linked only by the desire to become "beneficiaries"** of the programme; the social nexus which would have provided a basis for group viability did not exist or was very weak.

We had several experiences of officials and donor representatives insisting that it is a waste of time to look for existing informal groupings on the basis of which to build the programme. Their argument was justifiable in the context of the pressures under which they had to operate, since several members of the informal groups would not pass the eligibility criteria and therefore could not be potential "beneficiaries". It was difficult to make such programme administrators realise that if only "eligible' beneficiaries were required to form a group it would be a common feature for some of the natural group members to be left out and therefore the other members in the

group who were bound by social relationships to them would be very uncomfortable and would often share the assets or funds they received. On the other hand families who are not socially cohesive would be 'forced' together to work as a group; this group would always require an external agent to keep it together. Moreover in the latter case, it would be difficult not to project the message that the real objective of "group" formation was to provide funds to each one - with the group being just a symbolic feature or an instrument that would reduce the responsibility of the "giver" in case of default. One cannot expect groups formed in this fashion to scrutinise the options of each member or to apply sanctions throughout the process of management of the asset and repayment.

Our experience over a few years with these groups helped us to reflect on why we continue to adopt this small group strategy even though initially it was not Myrada's choice or invention. It is necessary to stress once again that of the 75000 **families** with whom Myrada works directly, only 56417 are in groups. The others still relate directly to credit institutions or Myrada. Even among the groups, several do not work well. The percentage of poor groups ranges from 30% in projects where the formation of groups encountered serious hurdles to 10% where they did not. Among these groups performing poorly, there are several members who have availed of loans/grants directly and have flourished without group support, but though these are among the poor they were the best equipped; they had the skills with a degree of confidence and only required capital to take off. **The 'group' strategy is not therefore an absolute requirement; Myrada has not insisted that all the families it works with should be in a group; it has found, however that the group meets the needs of a large number of poor families and they will continue to be members as long as they feel the need to do so.**

There were other reasons for pursuing vigorously the group approach which emerged during the first few years of our experience with the savings and credit groups; the major reasons are described below:-

i. We discovered that it was not sufficient to provide inputs directly to a poor family in an effort to raise it above the poverty line; it also needed continued support to **remain** there. The so called "backward and forward" linkages were not adequate for this purpose; the family also required what we call "**sideways**" **linkages** - namely a support group - at least during the initial period. The group provided social security initially, and later

even physical; as the groups self-reliance grows it affects entrenched interests which in turn threaten the members.

ii. **We realised that what is viable is not necessarily manageable** by a particular family. When inputs or assets were provided directly to the family, we found that often the family opted for the assets because it knew Myrada or the Government would provide them. On the "donors' part the micro projects were based on standard practices which were supposed to ensure "economic viability". The group went further; it created an environment in which a family opting for a loan would not obtain it, if the group decided that this family could not maintain the resource because of its lack of skills, or because it did not have the ability for sustained work and commitment or for several other reasons which the project proposal did not take into consideration. Whether the family **could manage this asset was the major concern** which played a part in deciding initially whether the family should get an asset. The role of Myrada was to provide the families with the necessary skills and exposure to increase their managerial capability; but this requires time.

Viability also has another angle. Projects are designed with the purpose of raising the family above the poverty line. For example the provision of cross bred cows is based on the income they can provide which is considered adequate to raise the family above the poverty line. Managing these exotic animals however requires skills, infrastructure and confidence which many of the poor families do not possess. Given the opportunity, they opt for a package of assets which independently may not be viable, but together provides them with adequate income and the flexibility needed to meet both short and long term needs. For example if the package includes one local cow (which by itself is not viable) a few sheep and some poultry, they can sell the smaller assets like poultry or sheep if they need money urgently; they also have the skills and resources to manage these assets. This package the groups provided.

iii. The groups also considered **"timing" as or sometimes even more important than cost.** Myrada for example, would purchase sheep during the summer months because prices fell, without realising that the precise reason for the fall in prices namely the shortage of fodder - would make the asset difficult

to manage. The groups on the other hand refused to advance loans for sheep except when fodder was available even though at this time prices usually showed an upward trend.

iv. An analysis of the size and number of loans and the variety of purposes, proved conclusively that neither the official credit institutions or Myrada could cope with all these factors, As far as **size** was concerned, the vast majority of loans were very tiny; of a total of 8,376 loans given by the Holalkere groups 4,882 were below Rs. 200/-; in Talavadi out of 26,464 loans, 19,025 were below Rs.200/-. The picture was the same in other projects. The **number** of loans was also too large for any Bank to handle. In 4 years, groups in Talavadi advanced 26,454 loans; in Bangarpet 5,293 loans and in Holalkere 8,376 loans, while one branch of a Bank finds it difficult to handle 400 loans in a year. The **variety** of purposes also took us by surprise. Only in the groups could such a variety be identified and supported.

It was becoming increasingly clear that the decisions of the groups were based on a combination of several factors which helped to fine-tune decisions regarding the capabilities of the individual and the transaction. No external organisation could hope to identify and inter-relate all these factors in order to take a decision in each case. A consolidated list of loans advanced by **Talawadi Project** indicates this **variety**:-

Activity	NO OF LOANS
Bycle	3
Clothing	1,797
Education	425
Food	7,454
Health	2,870
Bonded Labour (Release)	6
Land Release/Purchase	3
Repaid to Moneylanders	521
Consumption (others)	6
Radio Repairs	6
Socio-religious Ceremonies	2,104
Shandy (Local Market)	156
Travel	141
Crop Loan	3,464
Agri. Equipments	230
Irrigation	7
Land Development	2,180

Bullock	427
Cow/Buffalo	904
Feed/Treatment	78
Infrastructure	16
A.H. (others)	4
Poultry	136
Sheep/Goat	1,961
Watch Dog	1
Cottage Industries	17
Petty Business	375
Sericulture	208
House Construction	331
House Electrification	1
House Repairs	552
	26,454

v. Though funds were provided to individuals before the groups were formed either through Banks or Societies, the role of Myrada in identifying individuals, assessing their capability and following up on the loan, created a debtor-creditor relationship between Myrada and the individual. This relationship did undermine all Myrada's efforts for community organisation and motivation. The defaulters kept away or attempted to build unhealthy relationships with the staff in order to further delay recoveries, besides the staff could not apply effective sanctions.

Further, Myrada's image of a lender is soft and hence recoveries were poor. The general culture supporting recovery was also weak, thanks to political promises; as a result the people did not feel responsible to return funds to Myrada. On the other hand the lending operations of groups do not create a debtor-creditor relationship. Being a member of the group a loanee is simultaneously a debtor and creditor. He/She feels responsible to repay on time. The groups can and do apply pressure on the few members who do not repay promptly. Even though interest rates in groups were often higher than the official rates of Banks and Cooperatives, the rate of recovery was far better[1]. Further, the **cost of repayment** to Banks and

(1) A recent study of the cost of IRDP credit estimates that the actual interest is 32% in terms of time spent, travel and incidentals.

Cooperatives is also high - the few who feel responsible to return loans often travel 6 to 10 kms to repay whatever small amount they can; this acts as a disincentive for prompt repayment; whereas the group being right at his/her doorstep the loanee can return funds without incurring costs.

vi. These autonomous and voluntary groups fostered the emergence of innovative, appropriate and replicable ideas on a continuing basis by providing the people opportunities to come together and to share and learn from each other's experience. They also brought to the surface and made operative latent traditional values like group support. These values were operational in society, they became latent or were lost. However, once a group began to function, these latent values gradually became activated. This was proved by several decisions taken by the groups which affected their behavioural patterns making them more socially and individually responsible.

The groups for example are able to apply sanctions effectively. These sanctions cover not only defaulters but also certain practices which the group decided were obstacles to progress, like excessive consumption of alcohol, beedies and paan; in many groups, population control has become an objective and sanctions are applied to those who do not stop having children over a certain number agreed upon. The most important "sanction" that the group applies however is the withdrawal of group membership; the groups have an "exit" policy which proves effective in maintaining its coherence and viability.

Many Bankers and others attempt to gain support for the "group" approach to lending primarily by the argument that group guarantee provides an effective substitute for collateral security. While it is our experience that the group does apply social pressure for repayment, it is mainly because the group first fine tunes the loans, as explained above, that the recovery rate is good. If the group did not respond to individual needs and adapt to each situation, it would not be able to apply sanctions effectively. To present the group guarantee as collateral, does have its uses; but it must be understood within a much broader framework of the other roles that the group plays in credit management which form the basis on which group pressure is built and which in a way, legitimises it.

Though it was surely the "group", as a key element in Myrada's strategy, which encountered the most difficulties. there were also other areas where queries were raised. Why for instance. did Myrada organise a sustained campaign to motivate each group member **to save**? And why did Myrada encourage people to invest their savings in the groups common fund even though the group offered no interest on deposits? Further why did each group need a separate **common fund**?

Why savings? The poor, we are often told, are unable to meet their daily consumption needs; how can they possibly set aside any income as savings. Yet from our interaction with them we find that they do have certain aspirations - mainly to own some asset, and are willing to save to acquire it.

Their potenatial to save is largely seasonal; an analysis of their income pattern does reveal certain surges during the year; it is during these periods that savings are possible. But the stand that Myrada adopted, based on previous experience in group savings which some of the staff had, was to urge people to save throughout the year, even when earnings were low. The slogan Myrada adopted was, "**savings are from essentials not from surplus**". The idea behind this thrust was to encourage "thrift"; to make it a habit. It is commonly accepted that the habit of thrift which contribues to savings and later to investment if opportunities exist, is a major factor in generating and sustaining an individual's desire for progress. The groups often refused to accept members whom they knew would not save because of habits of excessive drinking, smoking, paan chewing and gambling. Such people, they said, have on desire for progress.

There were, however, obstacles that the group members had to overcome; for instance in order to save, they had to be able to contribute or put aside their savings **everyday or atleast regularly**; in other words there had to be a system to "receive" these savings. The "Piggy Bank" practice served this purpose in several areas; but Myrada's efforts to introduce it within its credit programme has not been very successful. The major reason being that it is not considered safe; the location was identifiable as it could not be easily hidden.

Most groups agreed to a minimum figure of savings which rose gradually as they progressed. Where the groups function effectively, the rate of savings has been sustained. For instance in Talavadi (started in 1987) savings rose from Rs.201.891.50/- in December 1988 to Rs.318,777.15/- in December 1991 to Rs.536,841 in 1993; in

Holalkere (started in 1988) they rose from Rs.215,066,42/- in June 1990 to Rs.357,055.66/- in December 1991 to Rs.1.2 Million 1993;in Huthur (started in 1988) they rose from Rs.59,699.50/- in June 1990 to Rs. 90.142.50/- in December 1991; in Bangarpet (started in 1988) they rose from Rs.84,377.75/- in December 1989 to Rs.282,714.10/- in December 1991to Rs.715,543 in 1993. Our surveys, however, revealed that the savings produced at weekly meetings reflected not so much a daily effort but more the effort of the day of the meeting or of a day or two prior to it. One can assume that if a system to foster daily savings is introduced, the savings would rise considerably.

As incomes increased due to the provision of credit opportunities, it was noticed that men began to change their consumption pattern; from "traditional" to "foreign liquor" and from "beedis" to "cigarettes". The womens groups raised this issue at several meetings. As a result, social pressure began to be exerted in mens groups to restrict the consumption of liquor; fines were imposed in many groups. The objective was to curb unnecessary consumption and to encourage savings. The excuse that there was no safe place to keep their savings was no longer accepted; the group fund was there and needed every rupee. The constant stress on the need to save in order to build a good future did have an impact as confidence grew in their efforts to progress and hope increased in their ability to achieve certain of their objectives like sending the child to school, buying a piece of land or providing irrigation or starting a small business.

Savings also played an important role as a component of the common fund. In several projects it was the major component. As a result the group took a **risk** whenever a loan was given, since part of the money belonged to the members. This element of risk helped to ensure that decisions were taken after full consideration of the pros and cons of the case.

Some groups are far more protective of their savings than of recoveries accruing from loans originally provided to members by Myrada. A few groups have two common funds - one of their savings and the other of these recoveries. They levy higher interest rates on loans from their savings than from the second common fund. This indicates the high value they place on their own funds which in turn motivates recovery.

The groups also started lending from their own savings before Myrada or NABARD provided matching funds. This ensured that they went through a period when their resources, besides being their own

were also **scarce**. Though this is not a feature specific to savings, it flows from it and places the group in a situation where the members have to make choices in the initial period since resources are scarce. If resources are adequate to meet the needs of all the members, the group does not "**manage**" the common fund though it may "**monitor**" the use of the loan and the recovery. Management, requires that choices are made in order to establish priorities based on assessment of needs, to refuse a loan or change the amount or timing; it is this exercise that trains and equips the members with the skills and qualities required to ensure success in any enterprise.

Another common question considered here is - "Why did Myrada offer the members an option - either to invest their savings in the Banks in their individual names or in the common fund?" Myrada in fact did not pressurise the members to make a choice. As a result many of the members exercised two options. they placed part of their savings in the common fund and part in their individual accounts; this is a good example of their maturity and wisdom when given opportunities. There is however ample evidence to prove that in projects where the groups flourished, the group members were willing and even eager not only to start a common fund but to place all their savings in it. In several cases they even decided that their contributions to the common fund would not be reimbursed if they left the group. While the formation of a common fund did not require any "pressure" from Myrada, the management of the fund did require inputs in terms of skills and necessary instruments.

A major criticism of the functioning of the common fund is that the members do not earn any interest from their "investments"; as a result their commitment to strengthening the fund is expected to weaken. This has begun to happen in some groups after 4-5 years where the fund has exceeded an average of Rs.2,000/- per member; the members feel that this amount is adequate to meet their consumption needs and their demand for investment in agriculture and livestock. For other major loans they now had the confidence to approach the Banks. Some groups however are revising their position on giving interest on investments in the common fund. They feel that a decision to give interest may provide an ongoing incentive to the group to keep the common fund revolving more rapidly by advancing loans to members in order to earn adequate income which in turn would source the interest. The groups in Talavadi project which have set a minimum target for weekly savings have decided that while this amount will not earn interest, any savings over and above this

minimum will do so. they reason that those with larger savings cannot claim extra or larger loans, since they will in any case earn more interest than the others. The groups in Dharmapuri have arrived at the following decisions in this matter:

"Interest will be paid to the group members at a rate not exceeding 6% per annum, since the group also gets the same interest on Savings Accounts. Hence even if part of the common fund is not rotated by the group, it will be able to pay the interest rate.

Interest will be paid to the members at the end of every year to reduce the number of transactions in the group.

Interest will be paid over and above an amount of Rs.400/- per member saved and the interest will be paid on multiples of Rs.100/- over and above Rs.400/-".

THE COMMON FUND: HOW IT IS BUILT AND MANAGED

Since the common fund is the source of group transactions the management of this fund plays an important role in the process of group growth in terms of skills, values, self confidence and sustainability. While therefore the previous chapters have described the process through which groups are formed, this one will describe the process through which the common fund (C.F.) is created and managed.

The first contribution of the C.F. is usually the membership fee. This is followed by regular savings collected at meetings. Several groups decide on a lower limit of savings and some impose fines if this amount is not forthcoming. Other groups do not fix the amount but encourage the members to save and contribute to the C.F. as much as they can. The latter groups tend to attract a higher level of savings. For instance, in the Talavadi Project where a lower limit of savings is fixed, the savings have amounted to Rs. 318,777.15 after 4½ years with 2014 members. In Holalkere where the members are free to contribute any amount to the Common Fund the savings amounted to Rs. 357,055.66 over 3½ years with only 1289 members. The trends are similar in other projects as well. This indicates that poor people have a higher capacity to save than normally assumed.

All the savings do not go into the common fund. It is a practice for members to put part ot their savings in the C.F. and part into their personal accounts. Of late, several projects, where Apex Societies covering several groups have emerged, the members are also contributing a small sum monthly towards the expenses incurred by the apex groups. There are also other purposes for which they save which do not add to the common fund or their personal savings.

The C.F. grows gradually over the first few months. There comes a time when either the members or a staff of Myrada raise the question of what to do with the C.F. The response invariably is to decide on giving small loans to members for consumption needs which they find difficult to obtain and which places them in a vulnerable position that is easily exploited by moneylenders.

Once the rules governing loans and recoveries are agreed upon by the members - an exercise that contributes greatly to the learning process of the group - loans are advanced. During this period Myrada conducts several exercises to strengthen the groups, and provides opportunities to the members to acquire skills in numeracy and literacy, in conducting meetings, in keeping records of meetings and simple accounts. It is not sufficient to form or identify a socially viable or affinity group as the basis of a **strategy and to provide the members with assets or inputs; certain skills and practices are required if the groups are to** perform all the roles expected from them in a sustainable manner. In the initial period the loans are necessarily small because the group's capital is scarce and the members are careful. The rate of capital rotation tends to be high with loans taken and returned within a week. Over a period of six months the members acquire experience in managing credit and in prioritising their needs; they also learn to **accept refusal of the group to consider a request for loans as integral to the process of group growth;** to be refused loans and yet to continue as active and supportive members is a feature that distinguishes a genuine group from a gathering of people who come together only because they expect to become "eligible beneficiaries".

When the group shows adequate signs of its ability to manage credit, Myrada and more recently several Banks led by the SBI, Vysya, Cauvery Grameena, Corporation, Canara and State Bank of Mysore advance sums directly to the groups. During the initial years Myrada provided these amounts which were given by NABARD, CAPART and others as grants to the groups. Gradually some of the groups began to return these amounts to Myrada in order to support new groups and at times even directly to other groups. With the entry of the Banks all advances are made to the groups as **loans at 12% interest** repayable over 2-5 years by the group, which in turn **relends to its members at its own interest rates and schedules of payments and recoveries.** These Banks who have joined this pilot project do not lend directly to individuals; they assess the group on the basis of criteria established by the apex groups and Myrada , and advance a sum agreed upon directly to the common fund even though there are instances where some of the group members are defaulters on previous loans from the Bank. There is however signficant evidence that earlier loans given to individuals are being repaid once the group's Common Fund is established and supported through direct loans from the Bank. The Banks objective to recover earlier loans given to individuals is therefore achieved, though in the medium term. On the basis of this experience, programmes of the Government where groups are formed **only of eligible beneficiaries** on

the grounds that if there are non-eligible members they will resent the fact that they do not benefit from the initial loans, need to be reviewed. If groups are identified on the basis of their social viability, the loans given to eligible beneficiaries could be revolved to benefit others while meeting the repayment schedules. This in fact is happening in some groups to which Banks have lent money with a 5 year repayment period. These groups are recovering the loans much faster than stipulated by the Banks and after meeting the Banks repayment schedules are re-lending to other members.

The following are examples of the composition of the common fund of Myrada projects :

Note : All figures of 1991 are included in those of 1993; these are running totals.

	DHARMAPURI		HOLALKERE		KAMASAMUDRAM	
	1991 Rs.	1993	1991 Rs.	1993	1991 Rs.	1993
MEMB. FEE	37,161	38,552	2,638	6,450	17,215	26,665
SHARE CAPITAL	814	1,496	-	-	-	-
SAVINGS	1,063,164	3,009,154	357,056	1,239,030	282,714	715,544
FINES	3,524	9,557	17,693	25,328	6,306	12,524
DONATIONS	2,709	7,659	7,267	33,000	28,900	39,192
OTHERS	45,973	48,077	17,212	163,964	33,564	68,644
INT. ON LOANS	215,477	665,379	66,274	227,548	71,595	174,067
BANK INT.	64,529	102,730	11,457	47,336	9,723	17,964
* CAP. FROM MYRADA	543,662	2,305,626	114,845	2,663,403	19,823	2,007,277
** CAP. FROM GOVT	1,246,440	130	-	-	16,250	-
*** CAP. FROM BANK	-	-	-	156,400	-	335,840
**** CAP. FROM NABARD	-	25,000	-	45,916	140,210	116,669
CAP. FROM CAPART	55,460	23,550	-	-	-	42,025
CAP. FROM OTHER SOURCES	-	-	-	-	-	215,800
COM. CONTRIB.	143,096	136,545	6,090	35,750	-	-
TOTAL NO. OF LOANS ADVANCED	16,846	30,444	8,376	14,122	5,293	13,345

* **Capital from MYRADA** : In all projects provided as grants to groups

** **Capital from Govt.** In Dharmapuri before 1991 all loans from Banks under the IFAD programme were routed through CMGs the interest rate however was fixed by the Bank. As a result the groups did not receive any compensation for the services provided it was therefore decided not to include these funds in the groups accounts after 1991

*** **Capital from Bank** These loans are advanced by the Banks directly to the groups under the new RBI NABARD programme. Till June 1993 Dharmapuri did not have any linkages.

**** **Capital from NABARD** NABARD provided Rs 1 million to MYRADA under R & D as a grant. MYRADA matched some of the CMGs savings with this amount. The CMGs used this amount to extend loans to its members. Several CMGs also decided to repay this original grant to MYRADA in order that other groups could benefit. This is why in Kamasamudram which received these funds in the initial stages the amount in the groups decreased from Rs 140,210 to Rs 116,669. The same holds true for the grant of Rs 1 lakh given by CAPART to match the savings of CMGs. The groups in Dharmapuri have returned over 50% of the grant

The breakdown of the common funds in 3 projects indicates that a major contributing factor to the C.F. is the **interest** recovered on loans. The rates of interest levied by the groups vary from group to group and from loan to loan. Myrada has never tried to fix this rate or to influence the different rates levied for different purposes. To pre-empt any concern that the credit groups are as bad as moneylenders however, it will be useful to state here that though **the average rate of interest levied by the groups upto 1991 works out to 36% per annum, it declined sharply as the common fund increased. During 1993 the average was 15%.** A recent study shows that the cost of IRDP loans works out to an interest rate of 32%. There are a few instances in the groups where interest rates are higher; even in such cases Myrada has not intervened though it is often criticised for not doing so. When asked why such high rates of interest are levied, the groups responses were:-

– "the rates of the moneylenders are higher,besides we have to work for them, plough their fields, go on errands, purchase medicines etc. from the city; these services should be added to the interest rate."

– "No one will lend us even Rs. 5 since we have no value."

– "By far the large majority of loans are at rates lower than that of the moneylenders, only a few are high."

– "In any case the interest accrues to our Common Fund and does not leave the group."

It must be noted that most activitiies for which loans are taken in a village have a short duration; some businesses last for a week; to compute interest on a yearly basis therefore does not give a correct picture of the situation.

Another source of the C.F. is **"fines"** levied by the group on "deviant behaviour". Though in terms of cash, this amount is not large, the practice of levying fines is a significant factor that contributes to establishing group behaviour especially in terms of controlling consumption of non-essentials as well as in making sanctions more effective. Fines for example are levied on defaulters, for smoking and drinking, chewing paan and coming late to and talking during meetings. Family planning is also emerging as an area where sanctions are applied. Once at a meeting a few members were fined for smoking. When asked the reason why they considered smoking an offence, the reply was surprising and indicated how different their perceptions are from ours. The members claimed that men usually talk to each other when they

smoke - often one of them offers beedies to the others: as a result, if smoking is allowed during meetings, a small group of 3 or 4 tend to talk, thus withdrawing from the business transacted by the main group and disturbing its work; the concern about smoking being injuries to health was not the reason. The major objective of fines however is to control unnecessary consumption and increase the C.F.

One is often asked how a common Fund is managed at a group meeting both in terms of how loans are prioritized and decisions made. The following is a report given by officials from NABARD who participated in a 3 day participatory exercise on credit in Myrada' s Kamasamudram Project during which they attended several group meetings which will partly answer this question. A more satisfying answer requires personal participation in a group meeting.

Village:	Dodda Kalavanchi
Group:	Gowri Mahila Sangha (Functioning for 2½ years)
Date:	May 27, 1992
Time:	8.30 p.m. to 10.30 p.m.

The agenda for the meeting was set by the group at the beginning. The NABARD officers were observers and did not participate; but asked questions after the meeting.

Certain common problems were discussed and recoveries of earlier loans called for; the NABARD officers assessed from the Books of Accounts that recoveries were over 90%.

Applications for new loans were called for and considered:-

– One woman wanted a loan for leaf plate making. She was a pregnant woman who was forced to leave her job because of her delicate state, so she wanted to start making leaf plates. She was given a loan.

– A request for a loan to purchase sheep was deferred by the group as it was not considered a priority.

– One woman asked for a loan of Rs. 2000/- to redeem a tamarind tree which had been pledged 10 years ago. She owed Rs. 400/- to the group from a previous loan. After assessing the income from this particular tree and the loss she had sustained by pledging it, the group advanced Rs. 1000/- to enable her to release the tree and promised the second installment of Rs. 1000/- as soon as she repaid the outstanding amount of Rs. 400/-

- A loan application for house repairs was sanctioned in view of the impending monsoon and hence the urgency of repairs.

- Another loan was sanctioned towards transport costs to carry tank silt to their fields.

Another group of officials who visited a group in Bathigowdanur village had a similar report but noted another factor which influenced decisions: this group advanced a loan to the poorest member as a priorty.

The general impressions of the NABARD officers gathered from their visits to 3 groups were the following:

- There was freedom of expression - all participated;

- Decisions were arrived at after a thorough discussion.

- Loans were sanctioned based on priorities and subject to availability of funds.

- No fresh loans are given before repayments of earlier loans - there are exceptions in cases of urgency but a high degree of confidence in the member is essential.

- All members had pass books, hence a relation to the Bank; yet they had not availed of any Bank loans even though in two villages the Banks were less than one kilometer away. One member received a "Poojari" loan, which the group had insisted he repay.

- The groups were keeping several records. Minutes were signed by all, receipts issued against all funds received. The group maintained the following books:-

	List of Books Maintained	Percentage of Groups Maintaining Books in Kamasamudram*
1.	Admission Book	100%
2.	Attendance Register	84.54%
3.	Minutes Book	100%
4.	Members Savings Ledger	100%
5.	Members Pass Book	100%
6.	Receipt Voucher	-100%
7.	Payment Voucher	100%
8.	Cash Book	100%
9.	General Ledger	74.54%

10.	Loan Ledger	100%
11.	Stock Book	62.72%

*(Total No. of groups in the Kamasamudram Project Area - 110 as on Dec 91)

- 2 members were expelled from the group for being defaulters; this was recognised as an important factor in group stability and managment of the C.F.

- The group arrived at a decision to admit new members after a discussion on the persons character and ability to fit into the group.

- One set of officers felt that recovery was motivated by concern for others. "If I do not return, others will not get a loan", replied one group member to their query. All the officers stated that there was no external pressure for recoveries.

- All decisions on common fund management were made at meetings except small emergency loans which were later ratified.

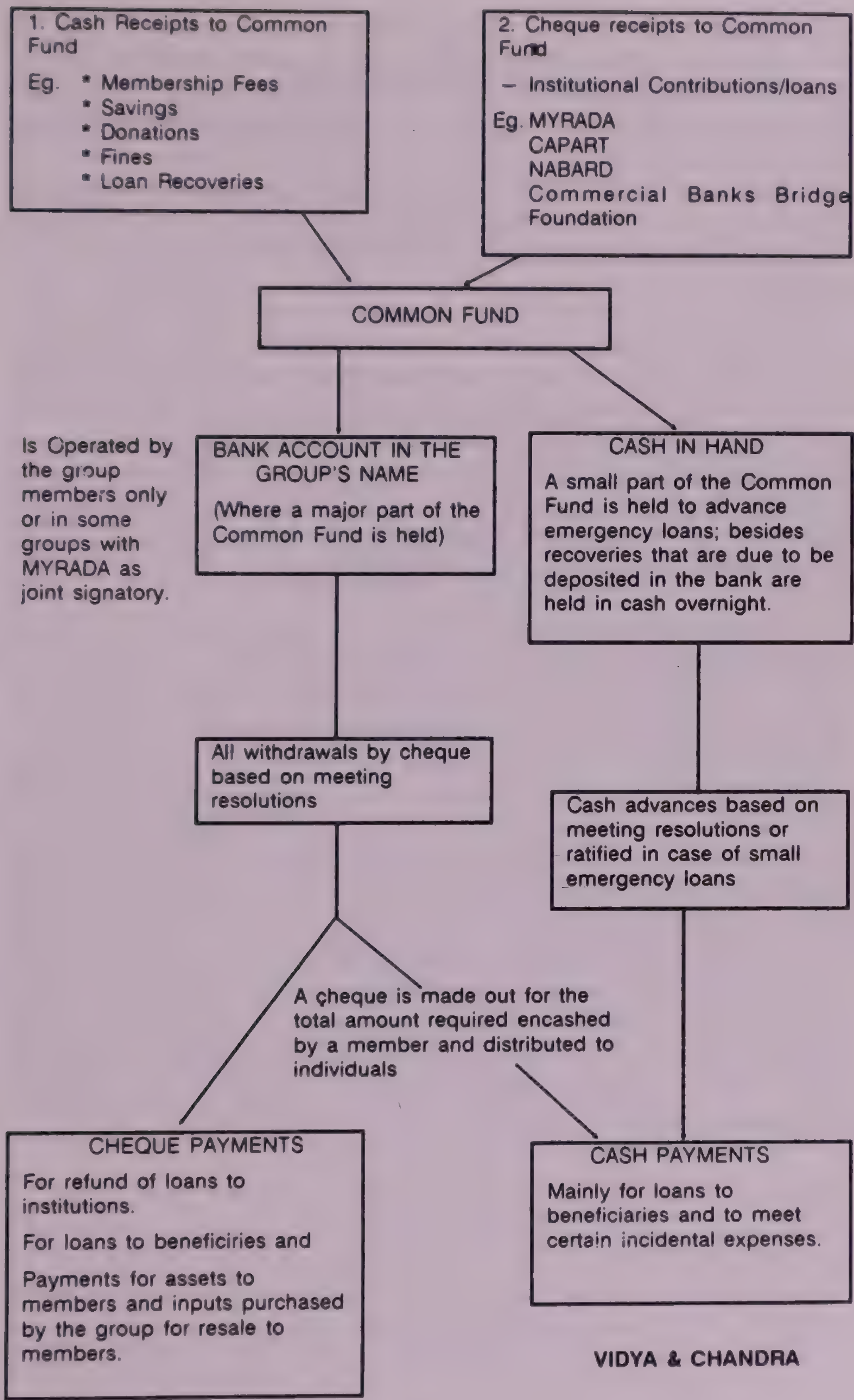
- For loans over Rs. 1000/- a promissory note was introduced.

- Loans taken for agriculture were returned before the harvest, mainly from wages.

- When asked how they were able to save after the group was formed though there was no significant increase in income, the members said that they had cut down their consumption to contribute to the common fund.

- When asked what they would do if a member defaulted they replied that it had happened and the group had seized some assets of the family till the money was returned.

Control over Fund flows in Credit groups: The management of the C.F. includes also the system that the groups have adopted to exercise control over the flow of funds. Myrada has played a role in helping the groups to establish a system though there are differences as groups adapted it to their requirements. The following diagram however gives a picture of the system that is practised by a large majority of groups.



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There are three links in this system where cash is handled: by the Secretary who holds an amount to meet emergencies: by the Secretary, group member or a staff of Myrada who holds the recoveries, interest and fines after a meeting and before depositing the amount in a Bank or Post Office, and finally by the person who cashes the cheque after group decisions are taken on loans and distributes the amount to the loanees; this is not a practice in every case, but is resorted to when the amount of cash collected at meetings is not adequate to meet the loans sanctioned.

During the past 4 years there have been instances of malpractice mostly concentrated in one project relating to the three "cash in hand" links in the chain; there have been very few (2) forgeries of cheques as well. These instances however are negligible when compared to the large number of transactions handled by the groups. The total number of loans advanced during 4 years for instance is 77, 927 while malpractices numbered about 30 in one project and 18 in all others together; both Myrada staff and group members were involved.

The groups responded well to all these situations. To control the cash in hand with secretaries for emergencies they fixed a limit averaging Rs.200. In other cases they have tracked down the culprits. Assistance like provision of transport has been provided by Myrada in some cases; they have recovered their funds in the majority of cases. An interesting instance that occurrred, concerned a staff member who had taken a sum from the group's recoveries and resigned. He was a native of a village which was covered by another Myrada project. The group members had tracked the culprit. When an exposure trip was arranged by Myrada to visit the groups in the project where the culprit was living, they grabbed at the opportunity. On arrival they insisted on visiting a particular village, a demand that surprised our staff who had organised a programme for them. They found their way to the village, located the culprit, informed the entire village of his misbehavior and demanded their money back. A compromise was arrived at with a part returned immediately and the rest to follow.

EFFORTS OF THE CMGs TO SUSTAIN AND IMPROVE QUALITY

6.1. Major Indicators of Quality

A management system that is open to all the members of the Credit Management Groups as well as to outsiders to monitor performance and to assess whether the objectives of the group have been achieved is essential for the continued good health of any institution. The CMGs are no exception.

Further since financing institutions are now linking up directly with the groups, it is necessary that the group is assessed as an **institution**. MYRADA's strategy supported by NABARD went beyond 'banking with the poor' towards "**banking with credit institutions which the poor have established and which they control. For these groups to be bankable** requires that the groups maintain records which indicate the quality not only of their finance management but also of their institutional health, for example whether the level of participation of every member is increasingly effective, whether a few members are attempting to capture power, whether the boundaries of its activities are clearly defined, whether the groups have developed a culture of regular savings, repayments and a pattern of social behaviour that resolves conflicts, discourages conspicuous consumption and allows them to apply sanctions effectively and fairly to ensure behaviour that sustains and enhances the quality of their performance and financial management. The groups ability to maintain these records and manage its affairs in turn increases the degree of self-reliance and confidence of its members to resolve issues and fight for their rights in larger heterogeneous fora like Cooperative Societies. There is no doubt that intensive training support is required for the group to reach a stage where these systems operate efficiently and where the culture required to support and sustain their operations is sufficiently developed.

The main indicators of quality however need to be identified by the members of the CMGs. MYRADA realised that the system had to be appropriate to local needs and skills and not one that was designed by outsiders primarily to meet their needs; such systems the staff knew from experience would be elaborate and of little use to the CMGs. MYRADA also had to ensure that while, on one hand the

system did not require a large supporting infrastructure which would increase overhead costs, on the other, feedback had to be reasonably quick to be effectively utilised by the CMGs. The decision was taken to focus the monitoring system on the quality of the **groups performance as an institution** and not on that of the individual members. Case studies of the performance of the individual members would be made when the groups decided that individuals had risen above the poverty line according to the groups assessment or when the decision was taken that MYRADA could sharply reduce its support services to the group.

To ensure quick analysis of the groups performance and effective follow-up action, the entire programme was computerised and staff trained at every project to handle data input. Besides providing ready access to data pertaining to each group, consolidation of data at project and sector levels also provide adequate insights into the overall strengths and weaknesses of the projects performance and trends in the pattern of loans as regards purpose and size. Data on the management of the common fund is essential to enable the NGOs and financial institutions to assess this innovative pattern of lending to the poor.

During 1988-89 the the CMGs went through an exercise to identify the criteria to assess the quality of a Credit Management Group. MYRADA staff participated in and supported these efforts. An analysis of the indicators that emerged from various projects to assess the quality of performance of the CMGs reveals certain important and common features which are consolidated below for ready reference.

Participation	:	There was general agreement that effective participation in discussions and programmes occurs in groups that are **small**, i.e., less than 25-30 members. **Hence large groups were assumed to be weak unless otherwise proved.**
Sanctions	:	Are sanctions imposed for deviant behaviour, for example, failure to return a loan instalment, arriving late for meetings, talking and smoking at meetings, excessive drinking? **Groups that imposed sanctions effectively and regularly were seen to be strong**. While most sanctions were

monetary fines, the ultimate was expulsion from the group. Since monetary fines were credited to the common fund, the extent of fines imposed by each group could be quickly ascertained from the computerised data.

Economic Status of Members : CMG members should be from poor families only. In a few cases where MYRADA was starting a new programme, in order not to generate conflict too early in the process, some better off farmers were enlisted to participate in meetings in an advisory capacity; groups made use of their experience, but they could not become members or receive loans and they had no decision making powers. **Those groups which continued to have these better off farmers attending meetings** were not considered to be **self reliant.**

The groups also required that those members who had progressed sufficiently and were able to sustain their livelihood should not receive any loan from the group; they were however free to remain as members or to leave.

Office Bearers : **The term of office bearers should be fixed, with a maximum period of one year;** longer terms allow consolidation of power which weakens group cohesion and ability to decide and act effectively. To enable the weaker members to assume office, the groups suggested that the office bearers could be elected well in advance and MYRADA staff asked to provide training to equip them for their job.

Status symbols like the name of "President" should be avoided as they tend to invest people with extra authority and power; the term "representative" was found

to be more appropriate for the office bearers

Meetings : Frequency — Groups that meet every week tend to be better than those which meet fortnightly or monthly. **Hence weekly meetings were selected as an important indicator.**

Schedule — Groups were unanimous that there should be a **fixed day and time** for weekly meetings; changes could be made only under special circumstances and after adequate intimation to all members.

Attendance — **An attendance register should be maintained;** attendance of all members is compulsory. **Groups with average attendance below 75% were considered to be weak.**

It was also observed that if attendance was below 75% as a regular feature, it did not necessarily mean that the absentees were not interested; in many cases when approached it was found that they were reluctant to join the group but were keen on forming a separate group of their own.

In case of an emergency meeting, all members should be prepared to gather even at every short notice.

Rules — **Each CMG should frame its rules governing conduct, behaviour management of finance and activities.** The main reason many groups gave for their reluctance to have the CMGs registered was that they would be vulnerable to Government officials; besides it would impose rules and destroy the CMGs voluntariness.

Activities : — Groups which did not clearly define the nature and scope of their activities but took on various types of infrastructural programmes during the first few years.

		which diverted their attention from management of their common fund, tended to be weak.
Savings :		**Savings by each member was an indication of his/her commitment to the group and to personal growth and progress.** Every member should be encouraged to save some amount each week from the beginning. A Savings Register should be maintained.
Size of Loans Schedules of Payments and Recoveries	:	Even where funds were provided to groups through regular Banking schemes for the poor the groups which did not decide on the size of the loans and establish a schedule of payments and recoveries irrespective of what official norms required, were considered to be weak.
Interest on Loans	:	**If the common fund was treated as a mere channel of funds the groups tend to be weak.** The groups should therefore be free to fix the rate of interest on all loans advanced from the common fund. The interest levied by the groups is credited to the common fund. There was strong reluctance to undertake programmes where Government, Banks and donors provided loans through groups for specific projects of individual members and insisted that groups had no right to increase or decrease the interest rates. (1)

(1) The models adopted by the Government and related financial institutions where loans were given to members through the group but the group could not levy any additional interest (like in the IFAD project covering Dharmapuri District) or where a ceiling was placed on interest (like Rashtra Mahila Kosh) did not find favour with the Credit Management Groups.

Common Fund	:	**If the common fund revolves briskly it indicates that the group is "good".** This indicator was based on the understanding that regular decision making on how to allocate scarce resources (part of which is their own savings), increases, the management skills of the members, trains them to select priorities, to accept refusals and still remain in the group. The comparison between the amount of interest generated from loans to members, with the interest accruing on deposits from the common fund lying in Banks indicates the degree to which the common fund was revolving. **Large unutilised deposits in Banks, therefore indicated a "weak" group.** **Those groups which received large amounts of money as grants to implement infrastructural programmes were found to be weak.** They were more involved with implementing programmes than managing their credit needs.
Records	:	The good CMGs maintained the following books/records: - Attendance Register - Minutes Book - Savings Ledger - Members Pass Book - Receipt and Payment Vouchers - Cash Book - Loan Ledger
Overdues	:	**Overdues should be less than 10% of outstandings;** if more than 10%, the reasons should be placed before the members and if accepted by them the loans should be rescheduled.

Patterns of Loans : **Most CMGs that are functioning well began with tiny loans (less than Rs.300),** mainly for consumption during the first year; then moved into small loans (less than Rs.1500) for petty business and cottage industries before moving into larger loans for assets like cows, open wells etc. Those CMGs where the trend was the reverse were usually weak.

6.2 Guidelines for Financial Management :

Given the importance of proper records of financial transactions, another set of guidelines focusing on financial management was drawn up by MYRADA staff based on the feed back from membes of the Groups. These guidelines are helpful for NGOs entering the field of group credit management; they have been consolidated and divided into two categories : What should be encouraged and what should not:-

COMMON FUND MANAGEMENT RELATED

What to Promote

Frequent rotation of the common fund for loans.

A balance needs to be maintained between the members savings and matching funds from the project (a 1:3 ratio is the limit). (There are examples where large project contributions have made members take careless decisions which they would not have taken with their own money. In some groups members have rotated only the amount received from the project, keeping their savings intact).

All financial transactions should take place during a group meeting.

All accounts should be in the name of the group and not in the name of one or more members. Signatories to the group Bank account must be rotated periodically.

All decisions regarding fund management and fund utilisation should be recorded and be verifiable through the minutes of the group.

Fund management tends to improve if groups display charts showing lists of members loans, recoveries, overdue balances and other activities.

What to Discourage

Large sums of money lying unutilised for long periods represent "process blocks", the reasons have to be analysed and addressed.

Large amounts of money for infrastructure, community programmes, or even credit management should not be routed through the group since this can distort the working of the group to fund-monitor rather than fund-manage; besides such groups spend most of their time and energy implementing "our" projects.

No money transaction should be conducted outside the meetings, whether it relates to loans disbursals, collection of savings and repayments, or decisions with regard to using funds for community programmes; no group member or office bearer should hold cash balances at any time; several groups however agree to place small amounts at the disposal of the officer bearers for emergencies.

MYRADA staff should not handle group money; they should not function as group office bearers; neither should they accept (even informally) to perform those functions that are expected to be performed by the group members (eg. depositing money in the bank, making withdrawals, purchases etc.)

SAVINGS RELATED

What to Promote

Encourage the savings habit as a value in itself and not just as a means of increasing the groups fund position. It builds up the habit of thrift and controls unnecessary consumption.

There are seasonal variations in the amounts saved by a member. Many groups take such seasonal variations into account in fixing the **minimum** monthly savings expected from members. Encourage the practice of fixing a **minimum** amount to be saved each month.

Every group needs a policy on how to manage the savings of members who

(a) leave the group voluntarily

(b) are asked to leave for some reason.

Payment of interest to members on savings deposited in the common fund is still not a widespread practice but one that is worth considering and promoting.

Many groups permit their members to save for a particular purpose - eg. weekly savings to build up the necessary amount to pay a Bank loan instalment when it falls due. Such practices should be encouraged.

What to Discourage

The practice in some groups of requiring equal savings by all members each month regardless of the fact that some members may at times be in a position to save move has to be discouraged.

Several groups make a distinction between members savings and contributions to the common fund. While contributions are non refundable, the practice of withholding savings of members leaving the group (either voluntarily or forcibly) should be discouraged. There are instances where such a decision has resulted in a drop in savings among other members who fear the same consequences.

What to promote

All loan applications must be addressed to the group or to the office bearers of the group and must be scrutinised and approved, modified, or rejected in group meetings only and minuted accordingly.

Repayment schedules must be finalised and minuted when loans are disbursed.

Service/interest charges on loans must be clearly separated from repayments.

Promissory notes obtained by many groups for large loans should be between the group and the member.

Loans (cash or cheques) must be disbursed only at group meetings.

The practice of giving a second loan before the first is repaid should be carefully assessed, particularly if there are overdue instalments.

When the Banks advance loans they should be given to the group on the basis of its performance and not made out in the names of the individual members. Care should be taken to ensure that the Bank loan is considered by the members as "their" money, as part of their common fund.

What to Discourage

Care should be taken to ensure that few members do not monopolise all loans.

Large loans for a single member must be avoided until the group is financially strong and has systems of administration that are adequate to motivate and guide members and impose sanctions for deviant behaviour.

The tendency to first decide on who should get a loan and then to assess how much money there is in the group and if there is a deficit to ask MYRADA to meet it, is not credit management; it should be discouraged at all costs.

Loans must not be disbursed to persons (substitutes) other than the group member who has actually applied for it.

TRAINING RELATED

What to Promote

Training needs of groups should be periodically assessed by Apex Groups and the project staff and appropriate training provided.

Project staff in general and the group accountant in particular must give priority to training group members in maintaining their own books and documents.

What to Discourage

The practice of paying compensatory wages for group members attending training programmes should be firmly discouraged. Instead, if necessary, a contribution can be made to the group common fund to which the member belongs.

BOOK KEEPING RELATED

What to Promote

All groups require training to keep basic books and documents; all records must be kept in a safe box with the group either in the meeting place or with one of the office bearers.

All books must be kept up to date, with transactions being recorded as soon as they occur.

All groups must close the books by the end of the calendar financial year.

Groups must be helped to develop and maintain their own (appropriate) systems and records for book keeping.

What to discourage

The practice of keeping books with MYRADA staff or in the MYRADA office should be discouraged.

Money for purchase of books and stationery may come from MYRADA at the initial instance but not on a continuing basis.

Initially MYRADA staff may have to assist the groups in maintaining their books and documents but not on a permanent basis.

If a group retains a person on an honorarium/wage basis to keep accounts/minutes, the money will have to be generated by the group and not expected from MYRADA.

AUDIT RELATED

What to Promote

Accounts must be audited atleast once a year.

Auditors must ensure that concerned staff and group representatives are present at the time of audit.

Audit reports must be presented to the group in a language in which they can be understood by all members.

Audit reports should be taken note of for immediate and appropriate follow up action. A regular **recorded** system should **be** established by the Project offices/Apex Group to follow up audit remarks.

What to discourage

Disposal of group owned assets cannot be undertaken without the approval of members and appropriate documentation.

Members who have purchased assets with group assistance cannot dispose off the same while loan instalments are still due, without adequate reasons that have the approval of other members.

THE WITHDRAWAL STRATEGY

7.1. Linking Groups With Banks :

MYRADA's objective in approaching NABARD to support this experiment in the mid 1980s was geared to achieving a change in banking policy that would enable the Banks to relate directly with the credit **groups as "bankable institutions"**. If MYRADA has to withdraw from the project area after a period, as its strategy requires, the groups have to be linked to a credit institution to meet their on-going credit requirements. The linkage between the Banks and the groups therefore was an important plank in the strategy of withdrawal. Following the Reserve Bank's circular of July 24, 1991 and the NABARD guidelines dated February 26, 1992 several Banks have established links with the CMGs. Records reveal that by the end of 1993 there were about 220 groups linked up with the Banks, of which approximately 130 were in MYRADA projects. Some officials feel that progress is too slow, and that by now over 500 groups should have been linked with Banks. Yet others are of the opinion that it is necessary to build a good base of successful experiences, and that "hastening slowly" is a better strategy. The Canara and Vysya Banks have reported that repayments from credit groups range between 95% to 98%. Other Banks have a similar experience. It is also clear at this time that if any of the Banks had experienced poor repayments during the first year, the scheme would have suffered a set back.

The group strategy of credit management has not been presented as the only one in the effort to **bank with institutions developed by the poor over which they have control;** it is not a panacea for all the ills that the priority sector is experiencing in the anti-poverty programme. It is an alternative strategy for credit which is not part of the official credit delivery system but which is based on alternate institutions which have been free to operate according to their own rules and regulations. More than just a complementary strategy therefore, it is innovative; the officiail credit system for the first time has accepted that it can lend money to a group of poor people on the basis of the group's performance **as an institution** which requires that the official system accepts that the group can establish the purpose and size of the loans, the schedules of advances and repayments and the rate of interest.

Though the attitude at the higher levels of several Banks with regard to linkages with the groups is supportive, the feedback from workshops organised by MYRADA for Branch Managers focuses on certain guidelines, which if followed, in their opinion, will result in a substantial increase in the number of groups linking with Banks. These guidelines are listed below:-

1. **Groups that meet only for savings and not for lending to members do not have the necessary experience to receive loans from Banks.** A group should have atleast 6 months of experience in saving and lending before Banks have the confidence to advance a loan to the group.

2. The groups should **maintain atleast the minutes of the meetings** recording their decisions to advance loans from their common fund to members, and **a statement of accounts.** These records must be maintained before a Bank Manager has the confidence to advance a first loan no matter how supportive the official policy may be. Records of loans advanced to members and repayments should also be carefully maintained in order to assess utillisation and performance.

3. The **cost of credit does not emerge as the primary concern of the groups;** hence the official concern to fix a ceiling on interest rates is misplaced. What is important for the group is ready access to credit, without harassment, the freedom to decide on the purpose and size of the loan as well as on the schedules of advances and repayments and on the interest rates.

4. The loans given to individual members should not be viewed by them as a loan from the Bank, **but rather as a loan from their own group common fund;** it is therefore necessary that they have adequate savings and the experience of lending from their own funds before the Bank loan is received. The Bankers on their part should avoid giving the impression at group meetings that they are advancing loans to individual members. **They should assess the performance of the group rather than focus on the purpose of loans to individuals.**

5. Bank credit should be restricted to groups that can use it effectively; **it should not be looked on as a disbursement** to which all the groups or all the members in the group have a claim or are entitled to.

6 The Branch Manager **should visit the groups**, atleast twice, before deciding to lend money. Periodic visits after the loan has been advanced are strongly recommended.

7 The Bankers must realise that they are responsible to establish a relationship with the groups which will foster open communication and build up trust; they need to consider the members of the group as "**borrowers**" and not as "**beneficiaries**", and give them the respect that a genuine borrower commands; they should also **be available to meet people at times convenient to the people and not restrict interaction to "office hours".**

8. The Branch Managers who visit the groups should realise that they are dealing **with institutions and not with individuals.** Many of them still adopt the IRDP approach and insist that the purposes for the loans be clearly identified by the group before the loan is given, and that these purposes should be listed in the Memorandum of Understanding between the group and the Bank. **The NGOs agree that while all the group members may be required to guarantee the loan and recoveries, there is no need to state the purpose of each loan to the member before the Bank advances a loan to the group.** The primary concern of the Managers should be that the loan is repayed and on time. There is no need for them to attempt to asses viability since this is not the basis on which the group decides; **it is manageability more that viability that is the governing norm for people in the credit groups.**

9. The Branch Managers should visit the groups and assess atleast the following :

Performance	**Verifiable indicators**
Whether attendance is good (over 75%)	The Attendance Register.
Whether participation is effective.	Manager's experience of the meeting and study of previous minutes.
Whether decisions are taken at the meeting and whether loans are monopolised by a few or spread over the members.	Minutes of meetings and records of loans.

Whether savings are regular and amount to atleast 1/3rd of the common fund.	MYRADA computerised data.
Whether recoveries are prompt.	MYRADA computerised data.
Whether sanctions are applied to defaulters.	MYRADA computerised data.
Whether group repres-entatives are changed regularly.	Minutes of meetings.

10. **The NGO on its part has the responsibility to ensure that the groups maintain minimum records** especially regarding decisions on loans and a statement of accounts; they also need to create a culture in the group that they should not look at the Banks as a "giver", which is the image common to Government institutions.

The incentives to Bankers are the following:-

1. Bankers must be reasonably sure that lending to groups will be **profitable to the Banks,** that the loans will be r**epaid,** that this programme fits in with their overall objective and **social obligation** to advance loans in the priority sector and that linking with groups **will improve their image and give weightage to their personal performance.**

2. A major hurdle that NGOs face is the insistence of several Managers that the groups cannot be given loans if there are any **previous defaulters** in the group. This is a major "mind block" that is holding up growth in linking Banks with CMGs.

   To begin with NGOs do not see the rationale for this stand when the **group has a good track record of savings. loans and repayments.** The Banks have not been able to achieve a record of repayments anywhere near that of the groups. This hurdle therefore is a carry over from past practices and attitudes.

   Secondly, this objection is understandable if there are a large or significant number of defaulters in the group; but there are several instances of Banks rejecting applications from groups even where only 2 or 3 out of 15-20 members are previous defaulters.

Thirdly, there have been several instances where after Banks have advanced loans to groups with a few defaulters, they have started repaying previous loans to the Banks: this is an added incentive.

The feedback from the 14 MYRADA Projects as well as from NGOs working in group credit management, identifies the following obstacles to the growth in the number of groups with linkages to Banks.

1. The Branch Managers are not fully convinced that this strategy is supported by their superior officers and that their progress in achieving linkages with groups will be given weightage in their performance reports.

2. **Small loans are not appealing to Branch Managers;** since the loans to the groups; are small (ranging from Rs.2000/- to Rs. 15,000/-) many Managers do not find them attractive, because transaction costs are proportionately high and targets are more difficult to achieve; besides many find it a burden to visit the groups which meet either in the morning or late in the evening.

3. Some Banks prefer to give loans to NGOs for onlending to groups, this approach could undermine the primary role that the NGOs play, namely to motivate and organise groups and to provide them with opportunities to acquire the skills to manage group affairs.

4 There are also several unexpected obstacles to the growth in the number of groups linked with the Bank. In Dharmapuri District for example, where the potential for linkages is high, the Branch Managers concerned have been unable to proceed, since the Bank has come out with its own scheme that places several obstacles on the voluntary functioning of the groups. The NABARD circular of February 26, 1992 is adequate and there is no need for Banks to come out with different schemes of their own. While it is accepted that the RBI and NABARD need to come out periodically with revised guidelines to respond to issues that arise as the experience expands, what has been issued so far is adequate for all the Banks to start.

There is however growing criticism that the Banks are not moving fast enough to link up with the groups, even though the experience of those Banks which have linked up has been

good. MYRADA alone has approximately 1500 groups (out of 2489) which could be linked immediately with Banks, yet the number of groups so far linked up is only about 130. The approach to link up with the Banks will also have to cope with the future scenario where Banks are increasingly reluctant to expand the number of branches especially in rural areas and in fact may reduce several that exist.

There are also several parallel efforts being made to provide funds directly to groups. The Rashtra Mahila Kosh is one such experiment which is providing loans to NGOs for on-lending to groups. The demand for alternative sources of funds similar to the Rashtra Mahila Kosh model is growing. MYRADA is faced with two options: to accept funds for on-lending and therefore to become a conduit, or to set up new financial institutions in the Districts where the credit groups have emerged; these institutions will receive funds for-on lending to credit groups that have been started by all the NGOs in the area. MYRADA has opted for the second alternative and is presently working on establishing Non Banking Financial Institutions which will operate independently.

7.2. The Emergence of Apex Bodies :

In the growth process of the groups, a new pattern that is emerging is the formation of Apex Bodies. There were 59 Apex Bodies in December 1993. These Apex Bodies fulfill an important role in taking over responsibilities from MYRADA, thus allowing the field staff to withdraw and move to new areas or take up other activities.

Apex Bodies have evolved from below rather than being constituted from above, though MYRADA did intervene in the process. There were several types of federations depending on the reasons for their emergence: some federations were **temporary** - to achieve a particular objective, like lobbying to obtain their rights or to desilt the village tank; after achieving this objective they dissolved. Others had **longer term objectives like the maintenance** of village sanitation or drinking water systems, and yet others federated in order to monitor and service the Credit Groups.

Some federations decided to **mobilise and manage funds and programmes,** others decided to operate like Farmer Service Societies, while others decided that they would not handle

funds either to purchase equipment or inputs in bulk. With regard to the credit groups, most Apex Societies decided not to operate as lending institutions and have restricted their role to monitoring the performance of credit groups, to lobbying with Government and to discuss problems common to the area which required larger funds than MYRADA could mobilise. MYRADA on its part discouraged Apex groups from managing large funds and from taking on a lending role. This was based on its experience of Apex groups which had performed these functions; they became politicised, attracted outside interference and were unable to monitor the credit groups effectively. MYRADA's strategy involved the local Banks which could lend directly to the groups based on the groups'performance as an institution which the new policy of the RBI and NABARD made possible; though progress has been slow, the momentum is picking up.

WOMENS CMGs

MYRADA is often asked whether womens CMGs perform better than men or vice versa. Though there are several mens groups that have an excellent record, the opinion is that overall the womens groups are not only more effective but also give more importnce to the needs of the family. MYRADA's data basè is not programmed to answer this question satisfactorily, but certain indicators can be arrived at which tend to substantiate the opinion that the performance of womens CMGs is better. An analysis of the groups in two MYRADA Projects, namely Holalkere and Kamasamudram, indicate that the womens groups have a higher level of performance. These two projects have been selected because there has **been no extra emphasis** on women as in Dharmapuri Project where over 95% of the groups are composed of women. Further these two projects were not exposed to the pressures of large financial transfers as was the case with the groups in H.D. Kote. The CMGs in these two projects manage their common funds which are made up of their savings, interest, fines and matching grants from MYRADA and recently of loans from the Banks.

The following two tables provide a comparative study of the performance of mens and womens groups in these two projects.

TABLE - 1

MYRADA HOLALKERE AND KAMASAMUDRAM PROJECTS - DATA AS ON 31.12.92
AN ANALYSIS OF MEN'S AND WOMEN'S GROUPS

Project	Group Type	No. of Groups	No. of Members	PER CAPITA SAVING Rs.	Amount of Fines Vs No. Of Members Rs.	Amount of Interest Vs No. of Loans Rs.	< - % of No. of Loans Vs Total No. of Loans - >				
							Consum-ption	Agri culture	Animal Husb.	Income Gen.	Housing
HOLALKERE	Men	21	432	206.92	18.54	8.88	32.88	46.37	11.65	7.88	1.23
	WOMEN	58	1105	276.00	13.51	9.79	39.25	34.13	17.65	6.81	2.17
KAMASAMUDRAM	MEN	65	1305	185.02	3.16	15.59	36.19	44.93	6.94	8.13	3.81
	WOMEN	44	820	202.56	0.95	17.47	45.26	27.00	13.25	8.51	5.97

TABLE 1 indicates that the **per capita savings** of women in both projects is **higher**. (I) The number of fines imposed per capita is lower among women's groups. Since fines are imposed for breach in behaviour accepted by the groups (like arriving late for meetings, disturbing meetings, smoking and drinking, which is considered wasteful expenditure), it indicates that women tend to be more responsible in terms of discipline and in the use of money. Table one also indicates that womens groups tend to charge a higher rate of interest; for example each loan in the mens groups in Holalkerè and Kamasamudram earns Rs.8.88 and Rs.15.59 respectively. In comparison each loan among the womens groups in Holalkere and Kamasamudram earns Rs.9.79 and Rs.17.47 respectively. It has been observed that women are very keen on building up their common fund in the first two years; this is one reason for the higher rates of interest. However, many women's groups lower the interest after the common fund is established.

Women also take a larger number of consumption and animal husbandary loans. Our records of case studies indicate that consumption loans go mainly towards house hold expenses. In Animal Husbandry they tend to take loans for sheep and poultry which they are able to manage and not for bullocks or cows. In agriculture, since the groups do not give large loans as a rule, both men and women tend to take loans for agricultural inputs, though in the mens groups the percentage of agricultural loans is larger. Since most of the income generating programmes are home based, women tend to give priority to these loans rather then men.

(I) In Dharmapuri project which has 416 womens groups the savings rose from Rs. 1 million in 1991 to Rs. 3 million in 1993 which was the highest rate of increase of all Myrada's projects.

TABLE - 2

MYRADA HOLALKERE AND KAMASAMUDRAM PROJECTS - DATA AS ON 31.12.92
AN ANALYSIS OF MEN'S AND WOMEN'S GROUPS

Project	Group Type	<-------- % OF RECOVERY Vs. AMOUNT LOANED--------					<--------% OF AMOUNT OVERDUE Vs. AMOUNT LOANED --------				
		Consum-ption	Agri-culture	Animal Husb.	Income Gen.	Housing	Consum-ption	Agri-culture	Animal Husb.	Income Gen.	Housing
HOLALKERE	MEN	68.17	60.80	3.73	35.20	43.42	12.86	10.34	30.89	17.98	34 48
	WOMEN	78.19	54.15	47.46	62.81	48.49	3.60	18.18	27.64	10.81	13 81
KAMASAMUDRAM	MEN	58.30	48.26	40.09	47.71	25.29	16.79	12.80	15.32	14.11	7 16
	WOMEN	62.74	40.90	40.87	46.53	26.08	2.66	7.13	7.43	3.02	5 89

Note : Amount outstanding but not overdue is not included in the table

TABLE 2 indicates that overall the womens groups have a better rate of recovery and smaller overdues; (the amount outstanding which is not overdue is not included in this table). It is however significant that the performance of womens groups when compared to the mens in the area of agricultural loans is not encouraging; one reason for this which emerges at group meetings is that while women borrow for agricultural inputs, it is the men who manage and dispose off agricultural products; hence women do not have control over these resources.

In general, however, there are adequate indicators to support the impression that while the poor are bankable, poor women are even more so.

MYRADA : AGENCY'PROFILE
(March-1994)

MYRADA Was started in 1968, its history can be divided into two periods.

1. Tibetan Resettlement from 1968 to 1978. During this period MYRADA was involved with the Government in resettling 15,000 Tibetan Refugees in the State of Karnataka.

2. From 1978 onwards MYRADA has been totally involved with programmes in the rural areas with the poor of rural India. In response to the invitations from three State Governements, MYRADA is today working in the backward districts of Karnataka, Andhra Pradesh and Tamil Nadu.

During 1983-1984 after much reflection and searching, MYRADA evolved a mission statement which was revised over the following years as the organisation responded to emerging needs and new challenges:

The Mission Statement : (March 1994)

"**To foster** a process of ongoing change in favour of the rural poor in a way in which this process can be sustained by them through their efforts :

– to build and manage appropriate and innovative local level institutions rooted in values of justice, equity and mutual support, which can ensure their sustainable livelihoods.

– to recreate a self-sustaining habitat based on a balanced perspective of the relationship between natural resources and the legitimate needs of people.

To influence public policies in favour of the poor and to build supportive institutional linkages between official institutions and peoples organisations.

To support small NGOs and foster the emergences of new NGOs working in rural areas.

To promote networking among peoples institutions and among NGOs."

Along side a target of raising one million poor people above the poverty line was accepted as a guideline over a period of 10-12 years.

MYRADA's Mission therefore focuses on the building of appropriate **peoples' institutions** rather than on the delivery of goods. Though it is not possible to avoid the latter entirely, wherever a delivery approach tends to dominate the programme, every effort is made to motivate the people to contribute money and time and to absorb the skills necessary to maintain these goods. The building of appropriate peoples' institutions to manage and control resources is an essential component for sustainability and for the confidence and self reliance necessary to cope with external threats. The focus on institution building goes against the prevalent culture of patronage where benefits flow to individuals with the right contacts; those who have a stake in the patronge system pose a significant threat to the growth of peoples' institutions.

As of today MYRADA is working directly with 75000 families or approximately 8,50,000 people. In 1990, MYRADA had 699 staff. This number declined to 567 in 1992 and further to 489 in 1994, as groups and individuals are taking over many of the functions earlier performed by MYRADA. There are however over 1000 rural volunteers trained in community health care, animal husbandry, forestry, literacy and other relevant areas who provide services in the project areas.

MYRADA looks for and develops the following qualities in its staff: Commitment, Professionalism, Innovativeness and the ability to work in a participatory manner.

MYRADA defines the poor as those who depend on others for their basic needs. This dependency forces them to mortgage their labour, their priorities, thinking and confidence, their lands and sometimes their bodies. This dependency also forces them to exploit the environment where they have atleast a limited freedom; as a result the environment becomes rapidly degraded leading to increasing impoverishment.

MYRADA's strategy therefore takes into account the close relationship between the removal of poverty and the concern for the environment which has been a traditional feature of India's past. Unless the rural environment is managed in a way in which it can support sustainable livelihoods, a crucial link in the strategy to eradicate poverty on a permanent basis will be missing.

There are **six** critical areas in which MYRADA has acheived a breakthrough, however limited, in the major thrust to build appropriate peoples institutions :

1. **Rural Credit Systems through socially functional groups :**

MYRADA has organised credit management groups of the rural poor. These groups are small, homogeneous, voluntary, fully participative and non political. Each of these groups has raised a common fund beginning with their savings. This capital has been enhanced by NABARD, CAPART and other Donors. This common fund is lent out to the members by the group for urgent consumption needs, small business, cottage industries, agriculture, animal husbandry, poultry and for a variety of other purposes both related to consumption and income generation. The Banks are now lending directly to these groups as institutions on the basis of the RBI Circular of July 24, 1991 and the NABARD guidelines of February 26, 1992.

2. **Organisations of Women :**

MYRADA has over **1006** groups of women; these groups operate along the same pattern as the credit management groups described above but with the added focus on womens rights and on access to and control of resources which they require to ensure a sustainable livelihood. The Tamil Nadu Government Corporation for Development of Women has entered into an agreement with MYRADA to collaborate in a major project in Dharmapuri District where 18,000 poor women have been organized.

In many villages throughout MYRADA's 14 projects womens groups have taken the intiative to mobiize contribution for construction of drinking water systems to plan their layout and to set up village institutions to ensure their maintenance. In Belgaum District, MYRADA has deputed staff to the Government to manage the Devadasi Rehabilitation Programme and set up a small project of its own to support the effort; MYRADA 's strategy to support the formation of small self reliant groups of Devadasis has been introduced in this area as well.

In addition, MYRADA works with 21000 children providing health facilities, upgrading educational services and forming School Betterment Committees to manage these schools efficiently; women are actively involved in these institutions.

3. **Management of Micro Watersheds :**

Around 1984, MYRADA began exploring the strategy of micro

watershed management for the first time. MYRADA's objective was to foster a process and intervene where required in this process through which families in a micro-watershed could plan, implement and sustain a programme which supported the regeneration of the entire micro-watershed, increased agricultural productivity, and provided adequate bio-mass to meet the needs of all the people with priority to the poor. In terms of peoples institutions required to manage the watershed, what has emerged is that the basis is still the small, homogeneous group managing credit; there could be several such groups in a micro-watershed. These in turn appoint or elect representatives to form the Watershed Implementation and Management Committee which emerges as the main peoples institution with which all outside interveners have to relate whether Government or NGO. What has also emerged is that people are capable of planning the treatment of their watershed and of budgetting, using Participarory Rural Appraisal Methods; they can also control and manage the implementation of this plan provided the structures are designed by them and located by consent. They also need the freedom to decide which of the treatment activities should be given priority; in several cases they have borrowed funds from their credit groups to contribute towards the cost of gulley plugs and silt traps on their lands which yield quick returns.

4. **Forestry- Participative and Integrated Approaches :**

In arid wastelands ;- Since the early eighties, MYRADA has been involved in reforestation of arid areas. Groups, communities and individual farmers were encourged to start small nurseries, large areas of revenue wastelands were reforested, programmes like insurance forestry on one third of private agricultural dry lands were supported to provide an income during periodic droughts. Towards the latter part of the eighties, MYRADA, shifted away from planting in arid areas to protection and regeneration; this is where groups had to take on the responsibility of protection, harvesting and distribution. Not only were revenue wastes regenerated, but also private fallows where peoples groups entered into agreements with the owner which clarified mutual rights and responsibilities and ensured the sharing of benefits; as a result, fuel, fodder and other raw materials increased significantly.

After 1985, MYRADA moved away from supporting forestry as an isolated programme with the objectives of providing fruit, fuel and

fodder to integrating forestry in a watershed approach where trees, besides providing fuel, fruit and fodder, also played an important part in controlling soil erosion and water run-off as well as in providing biomass, thus resulting in increased productivity of food and cash crops as well as in reducing their vulnerability to periods of drought during the agricultural season.

This shift in MYRADAs strategy demanded a far greater involvement of people not as individuals but a s groups who could manage and sustain the resources which had regenerated as a result of interventions.

In forested areas : Early in the 1990s MYRADA entered into areas where forests existed, like the Western Ghats, but where degradation was evident in various degrees mainly around villages. The Western Ghats Environmental project in collaboration with the Forest Department was launched in 1992. MYRADA's role was to expose Forest Department personnel to experiences and strategies of Joint Forestry Management, to help them and the people absorb and use participatory methods and strategies in planning, budgetting and implementing forestry programmes as well as the community organizational and management skills needed to sustain Joint Forestry Committees and to initiate and carry through micro planning at each village which interacted with the forest. The objective of these exercises was to develop a joint forestry plan which would ensure peoples livelihood, protect core areas of the forest from pressures and rivers and streams from pollution. Overall the objective was to improve the tree cover while supporting the growth of appropriate peoples institutions to plan, manage and sustain the joint forestry management plan which in turn contributed towards a sustainable livelihood support system.

5. **Resettlement in self reliant communities of released bonded labourers and displaced persons :**

MYRADA has resettled families in the following categories :

- Tibetans : MYRADA was involved in varying degrees with the resettlement of 15,000 Tibetan Refugees in Karnataka; they are today self reliant communities operating through Cooperative Societies.

- Sri Lanka Repatriates : 1,800 were resettled in a settlement near Kodaikanal, Tamilnadu. The settlement was handed over

to the people and the Government in 1988 and is functioning on its own.

- Released Bonded Labourers : Approximately 10,000 have been resettled in various parts of Karnataka , Andhra Pradesh and Tamilnadu. In every project the families have developed and are managing their affairs.

- Displaced families : The Government of Karnataka recognising MYRADA's experience in this area approached it to prepare an Action Plan as well as the guidelines for future policy to resettle 20,000 families to be displaced by the Upper Krishna Project. As a result an Action Plan which takes into account principles of justice, equity and environmental conservation was approved by the State Cabinet and a Pilot Project successfully completed during 1986 - 1989.

6. **Support for small voluntary Groups and Networking :**

Throughout MYRADA has supported the emergence of news voluntary agencies and networking. The first organised approach however was in the early eighties through the South Asia Partnership (SAP); for several years MYRADA served as the Secretariat for SAP South India identifying emerging NGOs and suppporting them institutionally both with the necessary skills and finance. MYRADA has two on-going operational networks through which it not only supports small NGOs on a one to one basis but also encourages networking among them. One is the network of 24 NGOs in Andhra Pradesh, all involved in Forestry; while they receive funds directly from the Donor, MYRADA's field team provides support and monitoring services. The other is a group of 12 NGOs in Dharmapuri who are part of the Tamil Nadu Government's IFAD Women's Programme in which MYRADA/ PLAN Dharmapuri Project plays a lead role.

Besides these two operational networks, MYRADA has an information network through which over 400 NGOs and Institutions receive regularly its Participatory Rural Appraisal and Rural Management Systems series. MYRADA is also an active member of the National Network and of State level NGO Federations; it is actively involved in supporting NGO Networking at the District Level where it feels this sharing and coordinating of NGO experiences is of strategic importance especially in the context of the Panchayat Raj Institutions.

Collaborations with the Government :

One of the significant features of MYRADA's programmes is collaborating with Government Departments dealing with specific programmes and thrusts. The objective is to share some of the 'software' learnings that emerge in the project area where these joint projects are operational with other projects having similar objectives and thereby to influence policy changes.

MYRADA has the following collaborations with the Government :

a. Upper Krishna Project where MYRADA prepared an Action Plan for R&R in 1986 - 87 which was one of the first comprehensive action plans prepared for the Rehabilitation of project affected families. Later MYRADA was asked to provide training in community organisation for the Relief and Rehabilitation staff and to monitor the R&R programmes.

b. PIDOW Gulbarga (Participative Integrated Development of Watersheds) where MYRADA works with the DLDB. In the next phase, the PIDOW Gulbarga experiment and the learnings from it will be shared with other DLDB projects both through MYRADA staff and other NGOs who will be exposed to the strategies and peoples institutions that evolved.

c. Tamil Nadu Corporation for Development of Women :- A major project covering 18,000 poor women in Dharmapuri District where the Government provides both staff and finance.

d. Andhra Pradesh Forestry Programmes where MYRADA is supporting 24 volags. The project is now moving towards an integrated approach with focus on training in paritcipartory micro planning and management in watersheds.

e. The Devadasi Programme where MYRADA has deputed one of its staff to the Government; she has been made Project Officer. A small MYRADA Team supports the programme.

f. Uttara Kannada Forestry project with the Forest Department where MYRADA supports and motivates participartory methodologies and the role of peoples' institutions in planning management and monitoring of village forestry and sharing of benefits.

g. Biogas programme in collaboration of DNES (Department of Non-conventional Energy Sources) in 17 Districts of Karnataka. MYRADA constructs Deenabandhu and Janatha Models, trains masons, sets up masons societies and converts the Bhagyalakshmi plants into Janatha.

h. Credit Management Groups , where NABARD (National Bank of Agriculture and Rural Development) has provided capital to match the savings of the self help groups and provided on going support.

i. Drinking Water and Sanitation - Karnataka : MYRADA's role is to train the Government staff and people in participatory planning for drinking water and sanitation systems and to support the growth of peoples institutions to maintain them.

j. Housing is an important component of all MYRADA projects ; 6800 houses have been constructed since 1982. Governments of the State and Centre have provided significant funds.

To facilitate all the above activities MYRADA is engaged in a major in-house training effort that is constantly upgrading capacities and skills of people and staff to ensure that development efforts are continuously adapting themselves to the changing environment and needs. On an average 205 training programmes are conducted every month for people in credit groups, for volunteers in relevant skills and for our staff. Besides on an average 3 training programmes are conducted every month for Government staff, other volags and staff of institutions related to development; PRA and PALM* methodologies are extensively used for initiating the process, for planning, budgetting, implementation, monitoring and for evaluation.

ALOYSIUS P. FERNANDEZ
Executive Director.

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* PRA – Participatory Rural Appraisal
* PALM – Participatory Learning Methods

DETAILS OF GROUP LOANS AND RECOVERIES - MYRADA KAMASAMUDRA PROJECT

ITEM	LESS THAN Rs.100	BETWEEN Rs.100 & 500	BETWEEN Rs.500 & 1000	BETWEEN Rs.1000 & 5000	BETWEEN Rs.5000 & 10000	ABOVE Rs.10000	TOTAL LOANS	% OF EACH AS PART OF TOTAL	TOTAL AMOUNT LOANED	% OF AMOUNT AS PART OF TOTAL	OVERDUES ON LOANS	% OF OVERDUES AS PART OF TOTAL
BICYCLE	0	0	4	0	0	0	4	0.08	2,300.00	0.11	300.00	0.10
CLOTHING	1	52	1	0	0	0	54	1.02	10,849.00	0.52	1,609.00	0.53
EDUCATION	24	28	8	1	0	0	61	1.15	12,199.00	0.58	770.00	0.25
FOOD	325	678	2	0	0	0	1005	18.99	1,40,564.40	6.72	13,735.20	4.50
HEALTH	61	224	3	0	0	0	288	5.44	48,677.75	2.33	8,055.00	2.64
LAND PURCHASE/ RELEASE	0	0	0	1	0	0	1	0.02	4,500.00	0.22	0.00	0.00
REPAID TO MONEY LENDERS	0	9	15	5	0	0	29	0.55	18,743.00	0.90	4,188.00	1.37
OTHERS	3	10	10	5	0	0	28	0.53	15,491.75	0.74	1,500.00	0.49
SOCIO-RELIGIOUS	40	116	71	33	0	0	260	4.91	1,13,614.50	5.43	14,351.00	4.70
CROP LOAN	58	1334	320	0	0	0	1712	32.34	5,70,837.81	27.28	79.705.09	26.11
EQIPMENT	0	12	9	13	1	1	36	0.68	55,500.00	2.65	20,040.00	6.56
HORITICULTURE	0	0	2	0	0	0	2	0.04	1,200.00	0.06	0.00	0.00
IRRIGATION	0	354	24	46	6	2	432	8.16	2,56,711.00	12.27	44,485.00	14.57
LAND DEVELOPMENT	0	271	23	16	0	0	310	5.86	1,32,906.84	6.35	17,548.00	5.75
BULLOCK	0	1	3	14	0	0	18	0.34	23,450.00	1.12	215.00	0.17
COW/ BUFFALO	0	22	17	47	8	0	94	1.78	1,63,232.20	7.80	26,519.70	8.69

Annexure II

DETAILS OF THE SIZES OF LOANS PURPOSES AND RECOVERIES - MYRADA KAMASAMUDRA PROJECT

ITEM	LESS THAN Rs.100	BETWEEN Rs.100 & 500	BETWEEN Rs.500 & 1000	BETWEEN Rs.1000 & 5000	BETWEEN Rs.5000 & 10000	ABOVE Rs.10000	TOTAL LOANS	% OF EACH AS PART OF TOTAL	TOTAL AMOUNT LOANED	% OF AMOUNT AS PART OF TOTAL	OVERDUES ON LOANS	% OF OVERDUES AS PART OF TOTAL
FEED/TREATMENT	0	4	0	0	0	0	4	0.08	678.00	0.03	300.00	0.10
FISHERIS	0	0	1	0	0	0	1	0.02	700.00	0.03	0.00	0.00
INFRASTRUCTURE	0	2	1	0	0	0	3	0.06	1,100.00	0.05	200.00	0.07
OTHER	0	13	0	10	0	0	23	0.43	32,532.00	1.55	5,800.00	1.90
POULTRY	103	23	1	0	0	0	127	2.40	10,075.00	0.48	2,677.50	0.88
PIGGERY	0	20	4	1	0	0	25	0.47	11,385.00	0.54	1,835.00	0.60
SHEEP/GOAT	2	236	41	11	0	0	290	5.48	1,07,989.20	5.16	2,127.00	0 70
COTTAGE INDUSTRIES	0	37	18	21	1	1	18	1.47	88,639.00	4.24	36,852.00	12.07
PETTY BUSINESS	6	72	31	13	0	0	122	2.30	65,968.00	3.15	5,628.00	1.84
SERICULTURE	13	90	44	8	3	0	158	2.99	83,740.00	4.00	5,358.00	1 76
HOUSE CONSTRUCTION	0	11	16	43	0	0	70	1.32	89,455.00	4.28	9,132.00	2.99
ELECTRIFICATION (HOUSE)	0	0	7	0	0	0	7	0.13	4,450.00	0.21	45.00	0 15
HOUSE REPAIRS	0	29	17	5	0	0	51	0.96	24,869.00	1.19	1,900.00	0 62
TOTAL	636	3648	693	293	19	4	5293	100.00	20,92,358.35	100.00	3,05,280.49	100.00

Dec, 1991

A Consolidated Statement of Myrada's Savings and Credit Groups As on 31.12.1992

Data from Agali, Sira and Gudibanda (all projects supported by Plan International) are not included; the 460 groups in these three projects primarily plan and implement infrastructural programmes.)

SL. NO.	PROJECT	MEN	WOMEN	MIXED	YOUTH	CHILDREN	TOTAL NO. OF GROUPS	TOTAL NO. OF FAMILIES	TOTAL COMMON FUND Rs.	AMOUNT LOANED Rs.	NO. OF LOANS
1.	Kadiri	13	15		7		35	450	305,720.95	1,295,459.00	3,571
2.	Huthur	18	10	13	1	1	43	734	455,587.90	755,584.35	2,932
3.	Challakere	15	13	21			49	899	575,871.35	1,013,552.25	2,241
4.	Gulbarga	45	32	1	1		79	1614	1,108,030.10	2,430,526.46	3,718
5.	Holakere	19	77	12			108	2070	1,229,793.75	3,890,236.55	11,448
6.	Talavadi	65	54	5			124	2126	1,078,516.85	5,541,989.90	29,320
7.	Kamasamudram	63	46	15	3	15	142	2449	2,863,319.93	3,807,964.35	8,708
◆ 8.	Madapura	64	47	64			176	5163	10,526,341.98	7,962,545.40	9,270
◆ 9.	Kasba	88	57	76	1	9	231	6981	15,379,575.18	11,340,873.38	15,347
◆ 10.	Sargur	121	89	73			283	6561	9,849,438.94	10,625,048.33	12,645
◆ 11.	Dharmapuri	42	414	7			463	10175	6,430,052.76	10,866,008.95	26,230
	Total	553	854	287	13	26	1733	39222	49,802,249.69	59,529,788.92	125,430

◆ All four are PLAN projects; however, there is a marked difference in the role that the CMGs perform between Madapura, Kasba and Sargur on one hand,and Dharmapuri on the other. The CMGs in Dharmapuri are actively involved in savings and credit while those of the other three projects are also involved in infrastructural development.

prithvi
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